



# STATUS & INSIGHT

KOREAN FILM INDUSTRY 2014



# **STATUS & INSIGHT**

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# STATUS & INSIGHT

KOREAN FILM INDUSTRY 2014





# OVERVIEW

# 1



# 1. OVERVIEW

Overall in 2014, the Korean film industry generated KRW 2.28 trillion, an increase of 7.6% over the previous year. It was the first time in its history that the gross amount exceeded KRW 2 trillion, a record achieved through sales increases in all areas including box office, the digital online market and overseas exports. Box office in 2014 set a new benchmark by reaching

KRW 1.66 trillion, 7.3% higher than 2013. The number of admissions also increased 0.8% year-on-year to 215.06 million viewers, again setting a new record and exceeding the 200 million mark for the second consecutive year. Accordingly, average cinema admissions per capita reached 4.19, one of the highest in the world<sup>1)</sup>. Korean film admissions amounted to

<Table 1> Key statistics of Korean film industry, 2005-2014

Category		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
admissions (10 thousand)	Total admissions	14,552	15,341	15,878	15,083	15,696	14,918	15,972	19,489	21,335	21,506
	% change	7.7%	5.4%	3.5%	-5.0%	4.1%	-5.0%	7.1%	22.0%	9.5%	0.8%
	Korean Films	8,544	9,791	7,939	6,355	7,641	6,940	8,287	11,461	12,729	10,770
	% change	6.5%	14.6%	-18.9%	-20.0%	20.2%	-9.2%	19.4%	38.3%	11.1%	-15.4%
	Market Share	58.7%	63.8%	50.0%	42.1%	48.7%	46.5%	51.9%	58.8%	59.7%	50.1%
	Foreign Films	6,008	5,550	7,939	8,728	8,055	7,978	7,685	8,028	8,606	10,736
	% change	9.3%	-7.6%	43.0%	9.9%	-7.7%	-1.0%	-3.7%	4.5%	7.2%	24.8%
	Market Share	41.3%	36.2%	50.0%	57.9%	51.3%	53.5%	48.1%	41.2%	40.3%	49.9%
no. of Films	Korean Films	83	108	112	108	118	140	150	175	183	217
	Foreign Films	215	237	281	272	243	286	289	456	722	878
no. of Screens nationwide		1,648	1,880	1,975	2,004	2,055	2,003	1,974	2,081	2,184	2,281
admissions per capita		2.98	3.13	3.22	3.04	3.15	2.92	3.15	3.83	4.17	4.19
Return of Investment on Korean Films		7.9%	-24.5%	-40.5%	-43.5%	-13.1%	-11.0%	-14.7%	13.3%	14.1%	0.3%
Film Industry Revenue (100 mil)	Ticket Sales	8,981	9,257	9,918	9,794	10,941	11,684	12,358	14,551	15,513	16,641
	Digital Online Sales	5,433	3,900	2,750	2,224	888	1,109	1,709	2,158	2,676	2,971
	Overseas exports(100 mil KRW)	832	268	267	230	155	462	382	414	651	664
	(10 thou USD)*	7,599	2,451	2,440	2,104	1,412	4,222	3,487	3,782	5,946	6,308
	Total	15,246	13,425	12,935	12,248	11,984	13,255	14,449	17,123	18,840	20,276

※ Conversion rate of KRW for overseas export is set at USD 1 = KRW 1,053.2 (Average Market Rate of 2014)

1 According to Screen Digest, a British company dedicated to cultural contents research and analysis, average annual cinema admissions per capita in 2013 was 4.28 in Iceland, 4.15 in Singapore, 3.83 in U.S., 3.53 in Australia, and 2.99 in France.

2 Exports consist of export of ① finished films and ② services (including sales generated by location service provided for international films in Korea).

107.70 million (50.1% of total admissions), reaching over 100 million for the third consecutive year, while foreign film admissions reached 107.36 million (49.9% of total admissions) exceeding 100 million for the first time. The digital online market grew 11.0% year-on-year to KRW 297.1 billion. The IPTV market accounted for 75% of the digital online market, increasing 29.7% over 2013 to sustain the market growth trend despite the drastic fall in Internet VOD sales. Total exports<sup>2)</sup> amounted to USD 63.08 million, increasing USD 3.62 million over 2013. Exports of finished films decreased USD 10.69 million from the previous year, but an increase of USD 14.32 million in the services field resulted in an overall increase of exports.

### Highest ticket sales and admissions in history

Ticket sales in 2014 grew 7.3% over 2013 with a record of KRW 1.66 trillion prompted by the increase in average ticket price after the implementation of price differentiation policies in cinemas. Admissions too were at their highest ever, reaching over 200 million for two consecutive years with 215.06 million viewers, 0.8% higher than 2013. As a result, average admissions per capita in 2014 were higher than the previous year at 4.19. Total admissions for Korean films were 107.7 million (50.1% of total admissions), decreasing 15.4% from 2013 while foreign films were viewed by 107.36 million or 24.8% more viewers than the year before (49.9% of total admissions). The past trends in total admissions showed it is often correlated to the Korean film admission numbers. However in 2014, total admissions showed an increase despite the slight drop in local film ticket sales, as foreign film admissions spiked.

Among Korean films, <The Attorney>, released the previous year, and <Miss Granny>, released in January, performed well as the year began while <Roaring Currents>, the most successful film at the Korean box office, and <The Pirates> led the success of Korean films in the summer season. Towards the year's end, <Ode to My Father> was a smash hit and the diversity film <My Love, Don't Cross That River> sold 3.85 million tickets, aiding Korean films to exceed 100 million ticket sales for the third year in a row. Foreign films in 2014 were led mostly by Hollywood franchise entries headed by <Frozen> along with <The Amazing Spider-Man 2>, <X-Men: Days of Future Past>, <Transformers: Age of Extinction> and <Dawn of the Planet of the Apes>, while <Interstellar> sold over 10 million tickets in the low season of November, opening a new era for foreign films in Korea with 100 million admissions.

### Four films reaching 10 million ticket sales

In 2014, a total of four films sold more than 10 million tickets, including <The Attorney> (11.38 million viewers, including 5.69 million from 2013), <Roaring Currents> (17.61 million viewers), <Frozen> (10.30 million viewers) and <Interstellar> (10.11 million viewers). This is three more films than 2013 when the only film to exceed 10 million was <Miracle in Cell No.7> (12.81 million viewers). Among them, <Roaring Currents> has emerged as the new all time best seller, with its admission number accounting for more than one third of the entire Korean population. On the other hand, <Interstellar> was the first film to reach over 10 million ticket sales in the November low season.



### Consistent growth in digital online market

The digital online market in 2014 generated sales of KRW 297.1 billion, increasing 11% from 2013. IPTV and digital cable TV (henceforth 'TV VOD') increased 29.7% from 2013 with sales of KRW 225.4 billion while sales for Internet VOD were KRW 49.9 billion, down 31.5% from 2013. Package sales increased 31.8% from the year before, generating KRW 21.8 billion. Total sales for TV VOD in 2014 maintained the status quo yet the web storage service market has significantly declined, leading to the first negative growth rate in internet VOD sales, slowing down the entire digital online market. Meanwhile package sales grew slightly, aided by the performance of <Frozen>.

### Higher total overseas sales

In 2014, the Korean film industry's exports reached USD 63.08 million, 6.1% higher than the year before. Exports of finished films decreased to USD 26.38 million but service exports grew approximately 63.9% from 2013, totalling USD 36.70 million, resulting in an increase of overall sales. Contracts for filming foreign films in Korea in particular set a new record since records started in 2011, generating USD 22.66 million, which was seven times higher than 2013. 37 films were shot in Korea, also showing an increase with 10 more films being filmed compared to the 27 of 2013. A high portion of them were American films, including the Hollywood blockbuster <Avengers: Age of Ultron>.

Looking at the results by export destination, Korean film exports to China have shown a rise every year, especially in 2014 when the amount reached a record of USD 8.21 million as local profits, post contract sales, increased. Korean film exports to China accounted for 31.1% of all exports, shifting the export trend, which used to favour Japan, towards China.

### Decrease in return on investment of Korean films

67 films were subject to return on investment analysis from the 217 films released in the theaters in the year 2014<sup>3)</sup>, with an estimated ROI of 0.3%. The fact that positive revenue has continued for three consecutive years is an affirmative sign, although the numbers have dropped significantly compared to 13.3~14.1% ROI in 2012~2013. The main reason for this lies in the decrease of Korean film admissions, the absence of mid-range hits with admissions in the 5~8 million range, and the poor performance of some blockbusters<sup>4)</sup>. Meanwhile the number of films reaching the break-even point (BEP) was 18, accounting for about 26.9% of the 67 films subject to analysis and the ROI of five films, or 7.5% of all films, reached over 100%.

### Growing number of released films

The total number of films released was 1,095 with 217 Korean films and 878 foreign films, 190 more

3 From the 69 films subject to 2014 return on investment analysis of Korean films (total production cost more than KRW 1 billion or released on more than 100 screens nationwide), the two films not corresponding to the ROI assessment method (<The Nut Job> and <Make Your Move>) were eliminated. (For more details on how they were not corresponding to the ROI assessment method, refer to chapter 3, Production Costs and Return on Investment of Korean Films, of this document.)

4 <Return on Investment of Korean Film> report defines a blockbuster film as a film produced with a total cost of KRW 8 billion or higher, or KRW 6 billion or higher on net production cost terms.

films than 2013. The number has increased as films are being imported and released in large numbers, with the digital online market including IPTV emerging as a major platform and films aiming to add 'released in theaters' next to their title as numerous erotic films have done in the past.

### More viewers watching diversity films

2014 admissions for diversity films were 14.28 million, a record high with an increase of 10.56 million from the 3.72 million of the previous year. In 2014, <My Love, Don't Cross That River> sold 3.85 million tickets, leading the diversity film box office along with <Begin Again>, which sold 3.43 million tickets. 2014 was a year where diversity films set a new admissions record, 'art-busters' achieved great success and CGV Arthouse expanded its influence.

### Efforts to promote a fair environment

Voluntary efforts by filmmakers to create a fair industrial ecosystem continued in 2014. Film-related groups such as CJ E&M, CGV, Lotte Cinema Entertainment and Megabox among other major film companies participated in and signed the 'Agreement to create a fair environment for film screening and distribution' on October 1, 2014. Per this agreement, the three major multiplex companies have started to disclose the number of screens and showings at their theaters through the integrated network data from Korean ticket offices

as of December, 2014. In addition, starting January 2016, distributors will no longer pay virtual print fees (VPF) when screening a film at a CGV or Lotte Cinema. On December 17, 2014 the Fair Trade Commission announced research results claiming the CGV and Lotte Cinema provided special favor to films distributed by their own companies or their subsidiaries and assigned screens to films unfairly. The Commission urged the two companies to rectify the practice and imposed fines of KRW 3.2 billion and 2.3 billion, respectively. Also, it came to light that they were taking advantage of their dominant position in the trade and had issued discount tickets without any prior consent from distributors, with such an act ordered to be corrected. The Commission's decision is significant as it provided a chance to establish a fair relationship between theaters and distributors.

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# MAIN TOPICS

2



## 2. MAIN TOPICS

### 1. BOX OFFICE

#### 1) Admission and sales revenue<sup>5)</sup>

Total ticket sales for the year were KRW 1.66 trillion, 7.3% higher than 2013. Box office gross for Korean films was KRW 820.6 billion, down KRW 89.3 billion from 2013, while foreign films grossed KRW 843.5 billion, increasing KRW 202.1 billion from 2013. In 2014, a total of 215.1 million tickets were sold, creating a new record with 1.71 million more than

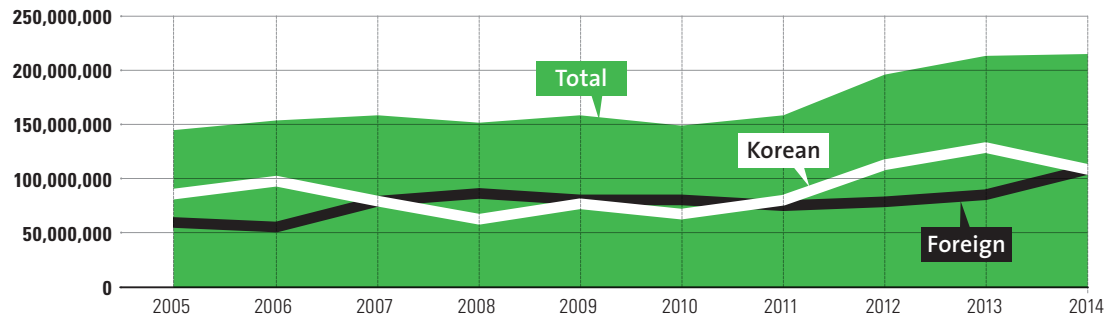
the previous year. Korean film admission were 107.69 million, a decrease of 15.4% on 2013, while admissions for foreign films were 107.35 million, a 24.8% year-on-year increase. Korean films represented 50.1% of total admissions and foreign films were at 49.9%. Annual admissions per capita were 4.19. According to Screen Digest, a British research organization on the cultural contents industry, annual admissions per

<Table 2> Admissions, market share, admissions per capita for Korean and foreign films, 2005-2014

Year		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Ticket Sales (100 mil)	Total	8,981	9,257	9,918	9,794	10,941	11,684	12,358	14,551	15,513	16,641
	% change	-	3.1%	7.1%	-1.3%	11.7%	6.8%	5.8%	17.8%	6.6%	7.3%
	Korean Films	5,277	5,917	4,940	4,126	5,318	5,125	6,137	8,361	9,099	8,206
	% change	-	12.1%	-16.5%	-16.5	28.9%	-3.6%	19.8%	36.2%	8.8%	-9.8%
	Foreign Films	3,704	3,340	4,978	5,668	5,623	6,559	6,221	6,190	6,414	8,435
	% change	-	-9.8%	49.0%	13.9%	-0.8%	16.7%	-5.1%	-0.5%	3.6%	31.5%
Admissions (10 thousand)	Total Admissions	14,552	15,341	15,878	15,083	15,696	14,918	15,972	19,489	21,335	21,506
	% change	-	5.4%	3.5%	-5.0%	4.1%	-5.0%	7.1%	22.0%	9.5%	0.8%
	Korean Films	8,544	9,791	7,939	6,355	7,641	6,940	8,287	11,461	12,729	10,770
	% change	-	14.6%	-18.9%	-20.0%	20.2%	-9.2%	19.4%	38.3%	11.1%	-15.4%
	Market Share	58.7%	63.8%	50.0%	42.1%	48.7%	46.5%	51.9%	58.8%	59.7%	50.1%
	Foreign films	6,008	5,550	7,939	8,728	8,055	7,978	7,685	8,028	8,606	10,736
	% change	9.3%	-7.6%	43.0%	9.9%	-7.7%	-1.0%	-3.7%	4.5%	7.2%	24.8%
	Market Share	41.3%	36.2%	50.0%	57.9%	51.3%	53.5%	48.1%	41.2%	40.3%	49.9%
Admissions per capita		2.98	3.13	3.22	3.04	3.15	2.92	3.15	3.83	4.17	4.19

<sup>5</sup> Among the statistics on theater admissions and sales revenue presented in this annual report, the admission and sales revenue data shown in <Table1>, <Table2>, <Table3>, <Table4>, <Table5>, <Table6> and <Figure1> include admissions and sales revenue earned through re-release, special screenings and film festival screenings in addition to first-run releases. Total admissions (215.06 million), total revenue (KRW 1.66 trillion), and the Korean film market share (50.1%) are all based on this data. Other statistics and tables categorized by projects, distributors and countries of origin are all solely based on first-run showing results, excluding admissions and sales revenue from re-releases, special screenings and film festival screenings. Therefore it should be noted that there are some discrepancies between the two sets of data.

<Figure 1> Admission trends of Korean and foreign films in 2005-2014



capita in 2013 were 4.28 in Iceland, 4.15 in Singapore, 3.83 in the United States, 3.53 in Australia and 2.99 in France, which makes annual admissions per capita in Korea the second highest in the world.

Annual theater admissions in the 17 regions across the country show that Seoul had the highest number of admissions with 59.51 million or 27.7% of nationwide admissions. It was followed by Gyeonggi-do with

<Table 3> Admissions, box office, admissions per capita by area, 2014

Area	Admissions	Admissions percentage	Box office (KRW)	Market Share	Average Ticket Price (KRW)	Population	Admissions per capita
Seoul	59,509,889	27.7%	480,828,705,260	28.9%	8,080	10,103,233	5.89
Gyeonggi-do	47,560,312	22.1%	366,366,253,000	22.0%	7,703	12,357,830	3.85
Busan	16,785,865	7.8%	128,199,774,800	7.7%	7,637	3,519,401	4.77
Daegu	12,459,951	5.8%	96,111,037,400	5.8%	7,714	2,493,264	5.00
Gyeongsangnam-do	11,291,154	5.3%	84,764,346,200	5.1%	7,507	3,350,257	3.37
Incheon	10,505,995	4.9%	83,126,943,600	5.0%	7,912	2,902,608	3.62
Gwangju	8,340,419	3.9%	60,331,088,200	3.6%	7,234	1,475,884	5.65
Daejeon	7,740,083	3.6%	59,365,391,200	3.6%	7,670	1,531,809	5.05
Jeollabuk-do	6,629,697	3.1%	48,920,768,700	2.9%	7,379	1,871,560	3.54
Gyeongsangbuk-do	6,340,806	3.0%	48,254,388,800	2.9%	7,610	2,700,794	2.35
Chungcheongnam-do	6,530,059	3.0%	48,514,416,400	2.9%	7,429	2,062,273	3.17
Chungcheongbuk-do	5,690,123	2.7%	41,053,167,800	2.5%	7,215	1,578,933	3.60
Gangwon-do	4,945,690	2.3%	37,587,155,300	2.3%	7,600	1,544,442	3.20
Ulsan	4,570,809	2.1%	37,129,084,200	2.2%	8,123	1,166,377	3.92
Jeollanam-do	3,788,281	1.8%	26,271,382,500	1.6%	6,935	1,905,780	1.99
Jeju-do	2,037,350	1.0%	15,093,205,500	0.9%	7,408	607,346	3.35
Sejong	330,369	0.2%	2,201,542,000	0.1%	6,664	156,125	2.12
Total	215,056,852	100.0%	1,664,118,650,860	100.0%	7,738	51,327,916	4.19



◀Table 4▶ Average ticket price by year, 2005-2014

Year	Admissions (10,000)	Box Office (KRW 100 million)	Average Ticket Price (KRW)
2005	14,552	8,981	6,172
2006	15,341	9,256	6,034
2007	15,877	9,918	6,247
2008	15,083	9,794	6,494
2009	15,696	10,940	6,970
2010	14,681	11,514	7,834
2011	15,972	12,362	7,737
2012	19,489	14,551	7,466
2013	21,335	15,513	7,271
2014	21,506	16,641	7,738

47.56 million and Busan came in third with 16.79 million. Meanwhile, Seoul ranked top in regional admissions per capita with 5.89 annual visits. Gwangju was next with 5.65 visits, securing second place for the fourth consecutive year. Daejeon and Daegu were next in line. Admissions per capita in these cities were all above five, indicating that audiences living in large cities with a higher concentration of multiplexes go to the movies more frequently. A similar trend was observed the previous year. Jeollanam-do was the only region with less than two admissions per capita, just as last year, ranking the lowest with 1.99 annual visits. Admissions in 2014 increased 0.8% year-on-year, while ticket sales revenue grew much more, increasing 7.3%. The average ticket price was KRW 7,738, up 6.4% from 2013 and nearing the price from 2011. This rise in average ticket price was mainly due to a price differentiation policy imposed on theaters, increasing the price for prime time tickets and lowering it for morning and day time screenings.

## 2) Box office by month

In 2014, Korean film box office showed outstanding results in the high seasons (Lunar New Year, summer, Chuseok and

year-end) but in periods other than those specific seasons, including the so called off-season, foreign films performed better in general. Monthly box office in particular showed that Korean films' market share fluctuated greatly from 77.9% to 21.4%. Foreign films on the other hand showed fairly even results spanning from 40~70% except for the 20% range in August during the high summer season. In January (the Lunar New Year holidays) and February, with strong trends carrying over from 2013, Korean films took up 57.7% and 53.4% of the market share in those months while foreign films accounted for 42.3% and 46.6% of the market. The 2013 title <The Attorney> (11.38 million viewers including 5.69 million from 2013, released December 18) and <Miss Granny> (8.66 million viewers, released January 22) were the main drivers for Korean films, resulting in over 50% of the market share. Among foreign films, <Frozen> (10.30 million viewers, released January 6) was released in January and became the first animation in Korea to sell more than 10 million tickets, a sensational hit with family viewers during the Lunar New Year holidays. During the off-season of March through June, Korean films failed to find big hits and remained in the 20% range market share except for <The Target> (2.84 million viewers, released April 30) and <The Fatal Encounter> (3.85 million viewers, released April 30) contributing to a 49.2% market share in May. On the side of international films, <Noah> (2.03 million viewers, released March 20) and <Captain America: The Winter Soldier> (3.96 million viewers, released March 26) in March, <Amazing Spider-Man 2> (4.16 million viewers, released April 23) in April, <X-Men: Days of Future Past> (4.31 million viewers, released May 22) in May, and June's <Transformers: Age of Extinction> (5.3 million viewers, released June 25) and <Edge of Tomorrow> (4.7 million viewers, released June 4) were all successful, accounting for the high market shares of 73.8% in March through to 72.0% in June. In June, with the start of the summer season, Korean films made a come back by taking up 51.5% of admissions in July and 77.9% in August. Kicking off the season with <The Divine Move> (3.57 million viewers, released July 3), an unprecedented high number of viewers came to theaters, more than 30 million in the month of August alone. The record high admissions in August was led by Korean films including <KUNDO: Age of Rampant> (4.77 million viewers, released July 23), <Roaring Currents> (17.61 million viewers, released July 30) and The Pirates

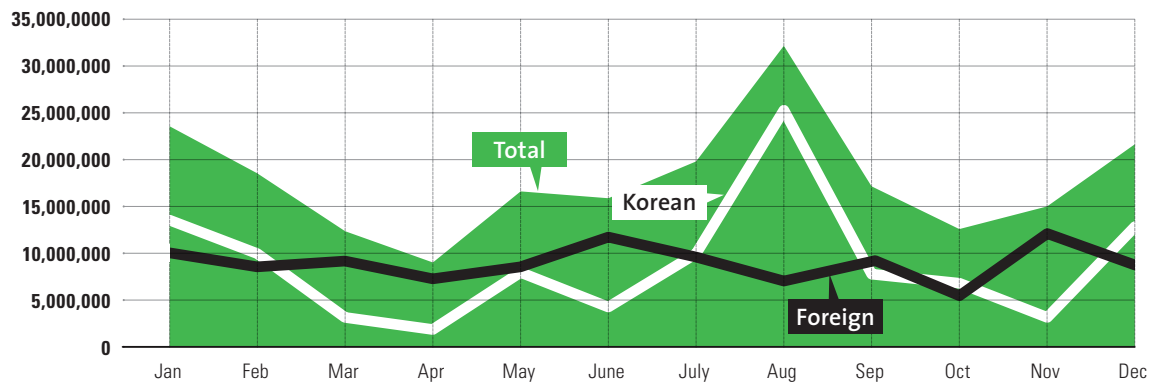
(8.67 million viewers, released August 6). Meanwhile only three of the foreign films including <Dawn of the Planet of the Apes> (3.94 million viewers, released July 10), <Transformers: Age of Extinction> (5.3 million viewers, released June 25) and <Begin Again> (3.43 million viewers, released August 13) managed to sell more than 3 million tickets during the summer season. The Chuseok season in 2014 arrived earlier than usual by falling in September. During the season Korean films accounted for 46.5% of total admissions compared to the 53.5% taken up by foreign films, a trend opposite to 2013 when 66.5% of admissions were Korean versus the 33.5% for foreign films. <Tazza-The Hidden Card> (4.02 million viewers, released September 3) and <My

Brilliant Life> (1.62 million viewers, released September 3), the two films targeting the Chuseok holiday season, were the only films to sell more than a million tickets which was the main cause for the decrease in Korean film ticket sales. The diversity film <Begin Again> (3.43 million viewers, released August 13) continued to perform well through the Chuseok season as it carried on its long term success, and other high earners included <The Maze Runner> (2.81 million viewers, released September 18), <Into the Storm> (2.08 million viewers, released August 28) and <Lucy> (1.97 million viewers, released September 3) by director Luc Besson, which receiving some spotlight attention thanks to CHOI Min-shik's appearance. Korean films in October maintained 53.8% of the

<Table 5> Monthly, quarterly, half-yearly market share of Korean and foreign films, 2014

Category	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Korean film admissions	13,612,797	9,912,429	3,253,139	2,017,215	8,289,316	4,450,836	10,235,015	25,091,601	7,937,790	6,731,776	3,253,932	12,911,455	107,697,301
Monthly market share	57.7%	53.4%	26.2%	21.9%	49.2%	28.0%	51.5%	77.9%	46.5%	53.8%	21.4%	59.6%	50.1%
Quarterly market share	49.1%			35.2%			62.5%			46.4%			
Half-yearly market share	43.0%						55.8%						
Foreign film admissions	9,986,857	8,645,618	9,151,416	7,184,077	8,572,717	11,431,691	9,641,799	7,124,995	9,146,967	5,771,041	11,936,537	8,765,836	107,359,551
Monthly market share	42.3%	46.6%	73.8%	78.1%	50.8%	72.0%	48.5%	22.1%	53.5%	46.2%	78.6%	40.4%	49.9%
Quarterly market share	50.9%			64.8%			37.5%			53.6%			
Half-yearly market share	57.0%						44.2%						
Total	23,599,654	18,558,047	12,404,555	9,201,292	16,862,033	15,882,527	19,876,814	32,216,596	17,084,757	12,502,817	15,190,469	21,677,291	215,056,852

&lt;Figure 2&gt; Monthly admissions by country of origin, 2014



market share with <My Love, My Bride> (2.14 million viewers, release October 8), a remake of the 1990 LEE Myung-se film of the same name, and director YIM Soon-rye's <The Whistleblower> (1.76 million viewers, released October 2) delivering good results. But in

November, when <Interstellar> (10.11 million viewers, released November 6) became a smash hit, the share of Korean films dropped significantly once again. Towards the year's end, cinema sales were driven by Korean films including <Ode to My Father> and <My

&lt;Table 6&gt; Monthly admissions by country of origin, 2014

Month	Korean				Foreign				Total		
	No. of films released	No. of films of screened	Admissions	Market Share	No. of films released	No. of films of screened	Admissions	Market Share	No. of films released	No. of films of screened	Admissions
2014-01	15	87	13,612,797	57.7%	56	199	9,986,857	42.3%	71	286	23,599,654
2014-02	12	108	9,912,429	53.4%	61	221	8,645,618	46.6%	73	329	18,558,047
2014-03	15	107	3,253,139	26.2%	63	218	9,151,416	73.8%	78	325	12,404,555
2014-04	23	100	2,017,215	21.9%	79	239	7,184,077	78.1%	102	339	9,201,292
2014-05	13	79	8,289,316	49.2%	74	246	8,572,717	50.8%	87	325	16,862,033
2014-06	13	88	4,450,836	28.0%	67	203	11,431,691	72.0%	80	291	15,882,527
2014-07	19	75	10,235,015	51.5%	74	214	9,641,799	48.5%	93	289	19,876,814
2014-08	20	85	25,091,601	77.9%	77	230	7,124,995	22.1%	97	315	32,216,596
2014-09	18	91	7,937,790	46.5%	77	188	9,146,967	53.5%	95	279	17,084,757
2014-10	23	119	6,731,776	53.8%	94	233	5,771,041	46.2%	117	352	12,502,817
2014-11	21	114	3,253,932	21.4%	74	249	11,936,537	78.6%	95	363	15,190,469
2014-12	25	94	12,911,455	59.6%	82	241	8,765,836	40.4%	107	335	21,677,291
<b>Total</b>	<b>217</b>	<b>1,147</b>	<b>107,697,301</b>	<b>50.1%</b>	<b>878</b>	<b>2,681</b>	<b>107,359,551</b>	<b>49.9%</b>	<b>1,095</b>	<b>3,828</b>	<b>215,056,852</b>

6 Showing in theaters as of December 31, 2014.

7 Showing in theaters as of December 31, 2014.

8 Showing in theaters as of December 31, 2014.



Love, Don't Cross That River>, accounting for 59.6% of admissions. <Ode to My Father> (released December 17) sold 5.35 million tickets<sup>6)</sup> and <My Love, Don't Cross That River> (released November 27) sold 3.85 million tickets<sup>7)</sup> creating a new box office record for diversity films. Among international films, <The Hobbit: The Battle of the

Five Armies>, released on December 17 as the last of the Hobbit series, performed well with 2.51 million viewers<sup>8)</sup>.

### 3) Mega Hits

<Roaring Currents> sold 17.61 million tickets, the highest

<Table 7> Box office results for the Top 20 films released in Korea, 2014<sup>9)</sup>

Rank	Title	Release date	Rating	Country of origin	No. of screens nationwide	Admissions nationwide	Sales revenue nationwide	Distributor
1	Roaring Currents	2014-07-30	15+	Korea	1,586	17,611,849	135,721,087,910	CJ E&M Corp.
2	Frozen	2014-01-16	All	US	1,010	10,296,101	82,461,504,400	Sony Pictures Releasing Walt Disney Studio Korea, Inc.
3	Interstellar	2014-11-06	12+	US	1,342	10,105,274	80,671,622,300	Warner Bros. Korea
4	The Pirates	2014-08-06	12+	Korea	837	8,665,652	66,364,656,706	Lotte shopping Lotte Entertainment Co.,Ltd
5	Miss Granny	2014-01-22	15+	Korea	692	8,656,417	62,696,751,249	CJ E&M Corp.
6	The Attorney <sup>10)</sup>	2013-12-18	15+	Korea	923	5,688,892	41,927,259,800	Next Entertainment World, Inc. (NEW)
7	Ode to My Father	2014-12-17	12+	Korea	966	5,345,726	41,089,769,596	CJ E&M Corp.
8	Transformers: Age of Extinction	2014-06-25	12+	US	1,602	5,295,929	44,013,109,845	CJ E&M Corp.
9	KUNDO: Age of the Rampant	2014-07-23	15+	Korea	1,394	4,774,715	36,984,686,999	Showbox/Mediaplex, Inc.
10	Edge of Tomorrow	2014-06-04	12+	US	801	4,697,110	38,717,412,201	Warner Bros. Korea
11	X-Men: Days of Future Past	2014-05-22	12+	US	1,056	4,313,446	34,651,695,766	20th Century Fox Korea
12	Amazing Spider-Man 2	2014-04-23	12+	US	1,312	4,164,946	34,844,174,800	Sony Pictures Releasing Walt Disney Studio Korea, Inc.
13	Tazza: The Hidden Card	2014-09-03	18+	Korea	890	4,015,364	32,373,137,927	Lotte shopping Lotte Entertainment Co.,Ltd, Sidus Pictures
14	Dawn of the Planet of the Apes	2014-07-10	12+	US	922	4,002,539	31,513,748,095	20th Century Fox Korea
15	Captain America: The Winter Soldier	2014-03-26	15+	US	1,106	3,962,812	31,707,872,385	Sony Pictures Releasing Walt Disney Studio Korea, Inc.
16	The Fatal Encounter	2014-04-30	15+	Korea	1,054	3,849,435	29,893,316,890	Lotte shopping Lotte Entertainment Co.,Ltd
17	My Love, Don't Cross That River	2014-11-27	All	Korea	206	3,846,428	29,846,166,179	CGV Arthouse, Daemyung Culturetainment
18	The Divine Move	2014-07-03	18+	Korea	794	3,566,316	28,810,639,456	Showbox/Mediaplex, Inc.
19	A Hard Day	2014-05-29	15+	Korea	645	3,448,583	26,995,930,900	Showbox/Mediaplex, Inc.
20	Begin Again	2014-08-13	15+	US	213	3,427,526	27,098,854,504	PANCINEMA

※ Number of screens = maximum number of screens in the first week of the film's release

9 Box office rank is based on admissions.

10 Total admission of <The Attorney> is 11,375,941 when combined with the 2013 admission of 5,687,049.

**<Table 8> Box office results for the Top 10 Korean films, 2014**

Rank	Title	Director	Release date	Rating	No. of screens nationwide	Sales revenue nationwide	Admissions nationwide	Production	Distributor
1	Roaring Currents	KIM Han-min	2014-07-30	15+	1,586	135,721,087,910	17,611,849	Big Stone Pictures	CJ E&M Corp.
2	The Pirates	LEE Seok-hoon	2014-08-06	12+	837	66,364,656,706	8,665,652	Harimao Pictures	Lotte shopping Lotte Entertainment Co.,Ltd
3	Miss Granny	HWANG Dong-hyuk	2014-01-22	15+	692	62,696,751,249	8,656,417	Yein Plus Entertainment Incosmos Co., Ltd. Cinewisefilm	CJ E&M Corp.
4	The Attorney	YANG Woo-seok	2013-12-18	15+	923	41,927,259,800	5,688,892	Withus Film	Next Entertainment World, Inc. (NEW)
5	Ode to My Father	JK Youn	2014-12-17	12+	966	41,089,769,596	5,345,726	JK Film, CJ E&M Corp.	CJ E&M Corp.
6	KUNDO: Age of the Rampant	YOON Jong-bin	2014-07-23	15+	1,394	36,984,686,999	4,774,715	Moonlight Film, Showbox/ Mediaplex, Inc.	Showbox/ Mediaplex, Inc.
7	Tazza: The Hidden Card	KANG Hyoung-chul	2014-09-03	18+	890	32,373,137,927	4,015,364	Sidus Pictures	Lotte shopping Lotte Entertainment Co.,Ltd, Sidus Pictures
8	The Fatal Encounter	LEE Jae-kyoo	2014-04-30	15+	1,054	29,893,316,890	3,849,435	Good Choice Cut Pictures, Papas Film	Lotte shopping Lotte Entertainment Co.,Ltd
9	My Love, Don't Cross That River	JIN Mo-young	2014-11-27	All	206	29,846,166,179	3,846,428	Argus Film	CGV Movie Collage, Daemyung Culturetainment
10	The Divine Move	JO Bum-gu	2014-07-03	18+	794	28,810,639,456	3,566,316	Mays Entertainment, Agit Film	Showbox/ Mediaplex, Inc.

ever in Korean film history, and topped the charts in 2014. Six Korean films made the 2014 top 10 list including <The Pirates> (8.67 million viewers), <Miss Granny> (8.66 million viewers), <The Attorney> (5.69 million viewers<sup>11</sup>), <Ode to My Father> (5.35 million viewers), and <KUNDO: Age of Rampant> (4.77 million viewers). <Frozen> (10.3 million viewers), <Interstellar> (10.11 million viewers), <Transformers: Age of Extinction> (5.3 million viewers) and <Edge of Tomorrow> (4.7

million viewers) were the four foreign films in the top 10, adding three more to the list compared to 2013.

#### 4) Admissions by number of films produced, imported, released and film ratings

A total of 1,095 films were released in 2014, increasing 21% from the 905 films released in 2013. Among them, there were 217 Korean films and 878 foreign films. The

11 As of December 31, 2014.

◀Table 9▶ Box office results for the Top 10 foreign films, 2014

Rank	Title	Release Date	Sales revenue nationwide	Admissions nationwide	Country of origin	No. of screens	Distributor
1	Frozen	2014-01-16	82,461,504,400	10,296,101	US	1,010	Sony Pictures Releasing Walt Disney Studio Korea, Inc.
2	Interstellar	2014-11-06	80,671,622,300	10,105,274	US	1,342	Warner Bros. Korea
3	Transformers: Age of Extinction	2014-06-25	44,013,109,845	5,295,929	US	1,602	CJ E&M Corp.
4	Edge of Tomorrow	2014-06-04	38,717,412,201	4,697,110	US	801	Warner Bros. Korea
5	X-Men: Days of Future Past	2014-05-22	34,651,695,766	4,313,446	US	1,056	20th Century Fox Korea
6	Amazing Spider-Man 2	2014-04-23	34,844,174,800	4,164,946	US	1,312	Sony Pictures Releasing Walt Disney Studio Korea, Inc.
7	Dawn of the Planet of the Apes	2014-07-10	31,513,748,095	4,002,539	US	922	20th Century Fox Korea
8	Captain America: The Winter Soldier	2014-03-26	31,707,872,385	3,962,812	US	1,106	Sony Pictures Releasing Walt Disney Studio Korea, Inc.
9	Begin Again	2014-08-13	27,098,854,504	3,427,526	US	213	PANCINEMA
10	How to Train Your Dragon 2	2014-07-23	23,980,196,189	3,000,100	US	829	CJ E&M Corp.

number has increased with more films being produced, imported and released as the digital online market including IPTV is emerging as a major platform and films aim to add 'simultaneous release' or 'released in the theaters' next to their titles for better publicity. Most films targeting the digital online market release in a small number of screens. Among the 1,188 films released in 2014, the number of films shown in less

than 10 screens is 617 and 358 (58.0%) of them were given a restricted rating. Most of those films are presumed to have targeted the digital online market. The number of Korean film productions and imports of foreign films are both on the rise as well. Based on data extracted from the number of films classified by the Korea Media Ratings Board in 2014, there were 248 Korean films produced and 1,036 foreign films imported,



&lt;Table 10&gt; Number of Korean film productions and foreign films imported and released in 2014

Rating	Korean Films		Foreign Films		Total	
	No. of films produced	No. of films released	No. of films imported	No. of films released	No. of films produced/imported	No. of films released
All	40	32	141	132	181	164
12+	39	30	122	104	161	134
15+	53	49	309	250	362	299
18+	116	106	463	392	579	498
Restricted	0	0	1	0	1	0
Total	248	217	1,036	878	1,284	1,095

※ Above number of films produced and imported by ratings only includes those rated by the Korea Media Rating Board in 2014 with a running time of 40 minutes or more, and excludes all accounts of reclassification due to reasons such as change of contents as well as ratings on 3D, dubbing, director's cut and unabridged versions.

&lt;Table 11&gt; Number of releases, admissions and sales revenue of Korean films by ratings, 2014

Ratings	No. of films released	Percentage of films released	Admissions	Admission percentage	Sales revenue (KRW)	Sales revenue percentage
All	32	14.8%	4,745,034	4.8%	36,154,923,779	4.7%
12+	30	13.8%	23,309,623	23.4%	176,723,413,910	23.2%
15+	49	22.6%	55,275,017	55.5%	419,764,335,133	55.1%
18+	106	48.8%	16,243,660	16.3%	129,097,242,783	16.9%
Total	217	100.0%	99,573,334	100.0%	761,739,915,605	100.0%

&lt;Table 12&gt; Number of releases, admissions and sales revenue of foreign films by ratings, 2014

Ratings	No. of films released	Percentage of films released	Admissions	Admission percentage	Sales revenue (KRW)	Sales revenue percentage
All	132	15.0%	19,875,892	19.2%	154,320,619,919	18.9%
12+	104	11.9%	51,586,702	49.9%	414,005,277,862	50.7%
15+	250	28.5%	23,275,274	22.5%	179,494,814,733	22.0%
18+	392	44.6%	8,628,793	8.3%	68,759,316,318	8.4%
Total	878	100.0%	103,366,661	100.0%	816,580,028,832	100.0%

&lt;Table 13&gt; Number of releases, admissions and sales revenue of all films by ratings, 2014

Ratings	No. of films released	Percentage of films released	Admissions	Admission percentage	Sales revenue (KRW)	Sales revenue percentage
All	164	15.0%	24,620,926	12.1%	190,475,543,698	12.1%
12+	134	12.2%	74,896,325	36.9%	590,728,691,772	37.4%
15+	299	27.3%	78,550,291	38.7%	599,259,149,866	38.0%
18+	498	45.5%	24,872,453	12.3%	197,856,559,101	12.5%
Total	1,095	100.0%	202,939,995	100.0%	1,578,319,944,437	100.0%

representing an increase of 48 and 202 over 2013. Total Korean film admissions in 2014 included a percentage of only 4.8% for films rated for all audiences and 23.4% for films rated for 12 and above. Foreign films took up 19.2% of the all rated films and 49.9% of 12 and above, reaching almost 70% of total admissions in those categories. It is evident that most of the films viewed by children younger than 12 are foreign.

## 6) Admissions by country of origin

In 2014, Korean films succeeded in selling more than 100 million tickets for three years in a row but the numbers fell 19.78 million from 2013 pulling the admissions share down to 50.2%<sup>12)</sup>. The admissions

share of American films was 45.3%, approximately 10% higher than the year before. The share of films from countries other than Korea and the US was 4.5% with 93.7 million viewers, which was similar to that of 2013. Among the films whose countries of origin lie outside of Korea and the US., German animation <Tarzan 3D> topped the list by selling 600,000 tickets by the end of 2014, followed by the 2013 British film <About Time> (540,000 viewers). Japanese films that showed some success included <Ju-on: The Beginning of the End> (410,000 viewers), a horror film targeting the summer season and animated film <Detective Conan: Dimensional Sniper> which sold 400,000 tickets. These figures also showed that admissions continued to lean heavily towards Korean and Hollywood films in 2014.

<Table 14> Share by country of origin, 2014

Country of origin		Category	No. of films	Sales revenue nationwide (KRW 1 million)	Revenue share	Admissions	Admissions share
Korea		Screened	247	819,019	49.4%	107,346,268	50.2%
		Released	217	761,740	48.3%	99,573,334	49.1%
US	US direct distribution	Screened	55	557,991	33.6%	69,693,995	32.6%
		Released	44	548,368	34.7%	68,393,758	33.7%
	US import	Screened	272	211,743	12.8%	27,128,946	12.7%
		Released	256	207,985	13.2%	26,627,925	13.1%
	Subtotal	Screened	327	769,734	46.4%	96,822,941	45.3%
		Released	300	756,353	47.9%	95,021,683	46.8%
China		Screened	77	3,760	0.2%	573,467	0.3%
		Released	72	3,739	0.2%	565,304	0.3%
Europe		Screened	242	45,888	2.8%	6,243,276	2.9%
		Released	221	36,920	2.3%	4,985,979	2.5%
Japan		Screened	221	17,795	1.1%	2,536,327	1.2%
		Released	217	17,208	1.1%	2,459,297	1.2%
Others		Screened	74	2,490	0.1%	350,772	0.2%
		Released	68	2,360	0.2%	334,398	0.0%
Total		Screened	1,188	1,658,686	100.0%	213,873,051	100.0%
		Released	1,095	1,578,320	100.0%	202,939,995	100.0%

12 This data only pertains to the screening result (theater release + paid preview) excluding all admissions and sales revenue resulting from re-release, special screenings and film festival screenings and differ from the admission percentage shown in <Table 1>, <Table 5> and <Table 6>.

## 7) Admissions by distributor

Not only did CJ E&M (henceforth 'CJ') keep its seat as the distributor with the highest admissions share in 2014, it also won back the throne from Next Entertainment World (henceforth 'NEW') for the highest Korean film admissions share. The distributor with the highest admissions share of foreign films was Sony Pictures Releasing Walt Disney Studio Korea (henceforth 'Sony'). Overall CJ showed an outstanding performance in 2014. Since 2011, the top five distributors mostly consisted of Korean companies except for Sony but in 2014 Hollywood's main distributors, including Sony, Warner Bros Korea (henceforth 'Warner') and 20th Century Fox Korea (henceforth 'Fox'), joined the team as a result of strong performances by foreign films. Admissions for films distributed by CJ were 53.15 million (24.9% of total admissions), for Korean films like <Roaring Currents> that sold 17.61 million tickets, <Miss Granny> (8.66 million viewers) and <Ode to My Father> (5.35 million viewers<sup>13</sup>) and American films such as <Transformers: Age of Extinction> (5.3 million viewers). This is 7.76 million more viewers than 2013 when the company sold 45.39 million tickets, while the share also increasing 3.5% from 21.4%, keeping its title as the top distributor. Lotte came in second with a total of 25.9 million tickets accounting for 12.1%

of total admissions, its major Korean films being <The Pirates> with 8.67 million admissions and <Tazza - The Hidden Card> (4.02 million viewers), with <Pompeii> (1.37 million viewers) among its international titles. In third place came Sony with 24.07 million ticket sales. In 2014 Sony screened a total of 16 films accounting for 11.3% of total admissions, its success coming from <Frozen> (10.3 million viewers) followed by the Marvel Comics films <Amazing Spider-Man 2> (4.16 million viewers) and <Captain America: The Winter Soldier> (3.96 million viewers). Warner, coming in fourth, distributed a total of 14 films in 2014 with 23.14 million ticket sales. <Interstellar> (10.11 million viewers), <Edge of Tomorrow> (4.7 million viewers) and <The Hobbit: The Battle of the Five Armies> (2.51 million viewers) drew many spectators. Fox sold 19.09 million tickets (8.9% share) from 14 films including <X-Men: Days of Future Past> (4.31 million viewers) and <Dawn of the Planet of the Apes> (4 million viewers), and was ranked fifth. Meanwhile Showbox/Mediaplex, Inc. (henceforth 'Showbox'), one of the top five companies from 2013, distributed a total of 10 films with 16.07 million viewers (7.5% share), including from the Korean films <KUNDO: Age of Rampant> (4.77 million viewers), <The Divine Move> (3.57 million viewers) and <A Hard Day> (3.45 million viewers), and was ranked at

<Table 15> Annual admissions share and ranking by distributors, 2010-2014

Rank	2010			2011			2012			2013			2014		
	Distributor	No. of releases	Admissions share	Distributor	No. of releases	Admissions share	Distributor	No. of releases	Admissions share	Distributor	No. of releases	Admissions share	Distributor	No. of releases	Admissions share
1	CJ	44	30.5	CJ	37.5	32.7	CJ	43	27.2	CJ	42	21.4	CJ	31	24.9
2	Fox	12	11.9	Lotte	30.5	15.4	Showbox	11	12.8	NEW	21	18.4	Lotte	30.5	12.1
3	Lotte	26	11.7	NEW	21.5	9	Lotte	46	12.4	Lotte	37.5	14.9	Sony	16	11.3
4	Warner	13	10.1	Sony	19	8.5	NEW	16.5	12.1	Showbox	13	13.7	Warner	12	10.8
5	Sony	22	10.1	Showbox	15.5	8.3	Sony	18	12	Sony	18	9.5	Fox	14	8.9
	Others	358	25.7	Others	396.5	26.1	Others	586.5	23.5	Others	903.5	22.1	Others	1,084.5	32.0
	<b>Total</b>	<b>475</b>	<b>100</b>	<b>Total</b>	<b>520.5</b>	<b>100</b>	<b>Total</b>	<b>721</b>	<b>100</b>	<b>Total</b>	<b>1,035</b>	<b>100.0</b>	<b>Total</b>	<b>1,188</b>	<b>100.0</b>

※ Number of releases includes those films that were released in the previous year and continued to screen through 2014.



number six. Although it was last year's top distributor in admissions share for Korean films, NEW showed disappointing results with the 2013 Korean film <The Attorney> (2014 admissions 5.69 million) and

international film <Non-Stop> (2.08 million viewers) being the only two films that sold more than two million tickets. As a result, the company came in seventh, with total ticket sales of 15.99 million (7.5% share).

<Table 16> Total market share by distributors, 2014

Rank	Distributor	No. of releases	Sales revenue (KRW 1 million)	Revenue share	Admissions	Admissions share
1	CJ E&M Corp.	31	408,252	24.6%	53,148,905	24.9%
2	Lotte shopping Lotte Entertainment Co.,Ltd	30.5	197,781	11.9%	25,898,156	12.1%
3	Sony Pictures Releasing Walt Disney Studios Korea, Inc.	16	193,007	11.6%	24,074,441	11.3%
4	Warner Bros., Korea	12	187,262	11.3%	23,143,012	10.8%
5	20th Century Fox Korea	14	149,541	9.0%	19,085,692	8.9%
6	Showbox/Mediaplex, Inc.	9.5	124,513	7.5%	16,070,120	7.5%
7	Next Entertainment World (NEW)	16	120,288	7.3%	15,994,672	7.5%
8	Universal Pictures International Korea Ltd.	17	42,374	2.6%	5,254,204	2.5%
9	CGV Arthouse (Formerly CGV Movie Collage)	15.5	30,499	1.8%	4,031,659	1.9%
10	PANCINEMA	11.5	30,514	1.8%	3,890,344	1.8%
	Others	1,015	174,655	10.6%	23,281,846	10.8%
	<b>Total</b>	<b>1,188</b>	<b>1,658,686</b>	<b>100.0%</b>	<b>213,873,051</b>	<b>100.0%</b>

<Table 17> Market share of Korean films by distributors, 2014

Rank	Distributor	No. of releases	Sales revenue (KRW 1 million)	Revenue share	Admissions	Admissions share
1	CJ E&M Corp.	17	304,303	37.2%	39,967,137	37.2%
2	Lotte shopping Lotte Entertainment Co.,Ltd	16.5	160,997	19.7%	21,037,711	19.6%
3	Showbox/Mediaplex, Inc.	7.5	120,585	14.7%	15,533,801	14.5%
4	Next Entertainment World, Inc. (NEW)	8	92,758	11.3%	12,359,848	11.5%
5	CGV Arthouse (Formerly CGV Movie Collage)	10.5	29,534	3.6%	3,911,113	3.6%
6	Sidus Pictures	1.5	19,467	2.4%	2,486,074	2.3%
7	CineGuru Daou Technology	1	16,636	2.0%	2,141,155	2.0%
8	Daemyung Culturetainment	1	15,077	1.8%	1,944,660	1.8%
9	Megabox Inc. Plus M	4.5	14,353	1.8%	1,877,600	1.8%
10	Little Big Pictures	2.5	9,623	1.2%	1,315,823	1.2%
	Others	177	35,686	4.3%	4,771,346	4.5%
	<b>Total</b>	<b>247</b>	<b>819,019</b>	<b>100.0%</b>	<b>107,346,268</b>	<b>100.0%</b>

**<Table 18> Market share of foreign films by distributors, 2014**

Rank	Distributor	No. of releases	Sales revenue (KRW 1 million)	Revenue Share	Admissions	Admissions share
1	Sony Pictures Releasing Walt Disney Studios Korea, Inc.	16	193,007	23.0%	24,074,441	22.6%
2	Warner Bros. Korea	12	187,262	22.3%	23,143,012	21.7%
3	20th Century Fox Korea	13	140,629	16.8%	17,916,149	16.8%
4	CJ E&M Corp.	14	103,949	12.4%	13,181,768	12.4%
5	Universal Pictures International Korea Ltd.	16	42,306	5.0%	5,250,191	4.9%
6	Lotte shopping Lotte Entertainment Co.,Ltd	14	36,784	4.4%	4,860,445	4.6%
7	PANCINEMA	11.5	30,514	3.6%	3,890,344	3.7%
8	Next Entertainment World, Inc. (NEW)	8	27,530	3.3%	3,634,824	3.4%
9	CineGuru Daou Technology	14	8,152	1.0%	1,104,208	1.0%
10	9ers Entertainment	16.5	8,102	1.0%	1,063,053	1.0%
	Others	806	61,432	7.2%	8,408,348	7.9%
	<b>Total</b>	<b>941</b>	<b>839,667</b>	<b>100.0%</b>	<b>106,526,783</b>	<b>100.0%</b>

## 8) Diversity films

367 diversity films were released in 2014, an increase of 10.2% on the 333 films in 2013. Along with the increase in release numbers, diversity film admissions reached their highest level at 14 million.

Diversity film admissions accounted for 6.6% of nationwide admissions and 9.2% of admissions in Seoul. The Seoul area had a higher rate of diversity film admissions mostly because Seoul provides an environment with easier access to diversity films in comparison to other regions.

**<Table 19> Diversity film releases and admissions from last 5 years**

Category		2010	2011	2012	2013	2014
No. of releases	Total	426	439	631	905	1,095
	Diversity film	190	197	232	333	367
	% of diversity film	44.6	44.9	36.8	36.8	33.5
Nationwide admissions	Total	149,182,008	159,724,465	194,890,622	213,348,254	215,056,852
	Diversity film	8,097,199	4,766,478	3,692,507	3,723,352	14,283,284
	% of diversity film	5.4	3.0	1.9	1.7	6.6
Seoul admissions	Total	46,278,808	47,880,098	56,543,239	60,087,210	59,509,889
	Diversity film	2,742,317	2,132,380	1,996,621	2,000,225	5,511,127
	% of diversity film	5.9	4.5	3.5	3.3	9.2

※ 2010-2013 data refers to Korean Cinema Yearbook 2014, and 2014 data is a combination of diversity film statistics from the integrated theater ticket network and recognized art films of 2013.

**<Table 20> Top 10 diversity film admissions, 2014**

Rank	Title	Country of origin	Admissions nationwide	Admissions Seoul area	No. of screens nationwide
1	My Love, Don't Cross That River	Korea	3,846,428	912,203	206
2	Begin Again	US	3,427,527	1,325,003	213
3	The Grand Budapest Hotel	US	773,887	445,223	163
4	Apostle	Korea	424,258	112,191	285
5	Her	US	350,618	226,931	168
6	Maya the Bee Movie	Germany	265,388	54,685	295
7	The 100-Year-Old Man Who Climbed Out the Window and Disappeared	Sweden	241,126	92,696	300
8	Grace of Monaco	France	237,114	100,692	358
9	HAN Gong-ju	Korea	224,386	70,459	226
10	American Hustle	US	155,374	90,145	245

The biggest buzz makers among diversity films in 2014 were <My Love, Don't Cross That River> and <Begin Again>. A documentary telling an old couple's story of heartwarming love and death, <My Love, Don't Cross That River> reached accumulated admissions of 3.85 million<sup>14)</sup>, the highest number

ever for a diversity film. Other than <My Love, Don't Cross That River>, the top 10 Korean diversity films included <Apostle>, <HAN Gong-ju> and <A Girl at My Door>, with <The Satellite Girl and Milk Cow> being the only animation film to be included in the top 10 list. International film <Begin Again> sold 3.43 million

**<Table 21> Top 10 diversity film admissions (Korean films), 2014**

Rank	Title	Admissions nationwide	Admissions Seoul area	No. of screens nationwide
1	My Love, Don't Cross That River	3,846,428	912,203	206
2	Apostle	424,258	112,191	285
3	HAN Gong-ju	224,386	70,459	226
4	A Girl at My Door	106,511	30,778	310
5	Murderer	88,199	11,952	207
6	Gyeong-ju	63,390	28,188	318
7	The Truth Shall Not Sink with Sewol	48,492	20,222	20
8	My Ordinary Love Story	46,775	12,559	182
9	The King of Jokgu	45,649	26,519	58
10	The Satellite Girl and Milk Cow	43,888	13,433	209

14 Showing in theaters as of December 31, 2014.

**<Table 22> Top 10 diversity film admissions (foreign films), 2014**

Rank	Title	Country of origin	Admissions nationwide	Admissions Seoul area	No. of screens nationwide
1	Begin Again	US	3,427,526	1,325,003	213
2	The Grand Budapest Hotel	US	773,887	445,223	163
3	Her	US	350,618	226,931	168
4	Maya the Bee Movie	Germany	265,388	54,685	295
5	The 100-Year-Old Man Who Climbed Out the Window and Disappeared	Sweden	241,126	92,696	300
6	Grace of Monaco	France	237,114	100,692	358
7	American Hustle	US	155,374	90,145	245
8	Attila Marcel	France	141,622	83,200	43
9	Hector and the Search for Happiness	UK	122,414	66,540	227
10	The Giver	US	107,567	37,590	233

tickets, once again proving the success factor of music films as confirmed with <Once>. Also, performances by 'Artbusters' like <The Grand Budapest Hotel> and <Her> were impressive while selected European movies such as <The 100-Year-Old Man Who Climbed Out the Window and Disappeared> and <Attila Marcel> received some attention. The year 2014 for the diversity film market can be summarized as the year of the highest admissions, of the success of artbusters and of the expanded

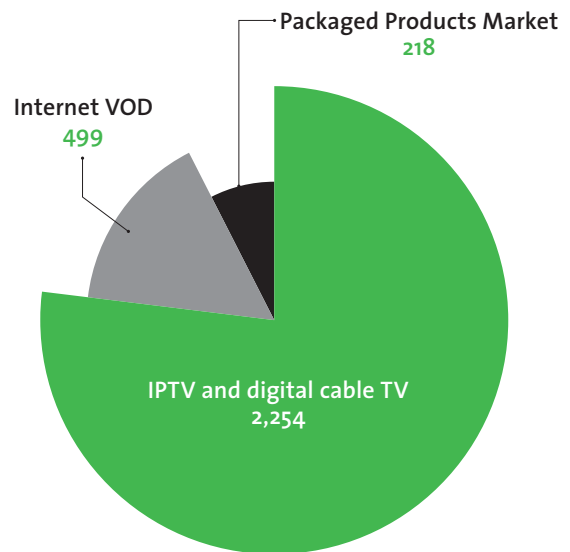
influence of CGV Arthouse. In particular, CGV Arthouse (formerly Movie Collage) led the prosperous results for diversity films by distributing the diversity film mega-hit <My Love, Don't Cross That River> (3.85 million viewers) as well as <HAN Gong-ju> (220 thousand viewers) and <A Girl at My Door> (100 thousand viewers). Despite such achievements, there are also voices of concern as the influence of a major corporation both involved in theater operations and distribution expands into the diversity film market.



## 2. DIGITAL ONLINE MARKET STATUS<sup>15)</sup>

Positive trends continued for the digital online market in 2014. Total annual revenue was KRW 297.1 billion in 2014, up by 11% compared with 2013. TV VOD sales revenue maintained its status but the web storage service market decreased significantly resulting in the first negative growth rate for Internet VOD sales. Overall, the digital market showed a slower growth rate. As with last year, the growth of the digital online market was led by IPTV and digital cable TV (henceforth TV VOD<sup>16)</sup>) in 2014. TV VOD grossed KRW 225.4 billion, representing 75.8% of the total market. In the digital online market, the value of TV VOD has grown immensely each year, representing 44.3% in 2010, 53.2% in 2011, 60.7% in 2012, 64.9% in 2013 and 75.8% in 2014. The numbers clearly show that TV VOD is towing the growth of the digital online market. On the other hand, internet VOD sales were KRW 49.9 billion, a drastic drop of 31.5% from 2013, representing 16.7% of total sales. Packaged products sales grew 3.8% from 2013, grossing KRW 21.8 billion and representing 7% of the digital online market, the lowest of all channels.

<Figure 3> IPTV and Digital Cable TV market status, 2014  
(Unit: KRW 100 million)



<Table 23> Total revenue of the digital online market (Unit: KRW 100 million<sup>17)</sup>)

Category	2010		2011		2012		2013		2014	
	Revenue	YoY growth(%)	Revenue	YoY growth(%)	Revenue	YoY growth(%)	Revenue	YoY growth(%)	Revenue	YoY growth(%)
<b>IPTV &amp; Digital Cable</b>	491	-	910	85.3	1,310	44.0	1,737	32.6	2,254	29.7
<b>Internet VOD</b>	267	-	501	87.6	618	23.4	729	18.0	499	-31.5
<b>Packaged products</b>	351	-	298	-15.1	230	-22.8	210	-8.7	218	3.8
<b>Total</b>	1,109	-	1,709	54.1	2,158	26.3	2,676	24.0	2,971	11.0

※ Internet VOD revenue estimates include revenue estimate for the N-screen and mobile services.

15 The term 'digital online market' replaces ancillary film market.

16 Revenues for IPTV and digital cable are relatively accurate since we were able to use data provided by three IPTV companies and one digital cable company. However, the revenue for Internet VOD is derived by adding sales data obtained from relative companies with estimates calculated from the year-on-year revenue growth rate. Therefore, this data should be used only as reference data of the digital online market.

17 While numerous internet based services emerge and perish, all digital online distribution of films may be condensed into the term Internet VOD but in this report, IPTV and digital cable TV will be represented by the term 'TV VOD' and 'Internet VOD' for special OSP services using web storage service and common OSP services such as Naver and Hoppin.

## 1) IPTV and digital cable TV

As of November 2014, there were over 10.7 million IPTV subscribers and 7.11 million digital cable TV subscribers. More than 17 million households have IPTV or digital cable TV installed in their homes, about 4 million more than 2013. The TV VOD market has grown consistently in tandem with the increase subscriptions and its market size is KRW 22.54 billion, increasing 29.7% from 2013. <Frozen> was ranked number one among all films watched on TV VOD in 2014. Released in January 2014 and becoming the first animation to sell more than 10 million tickets in theaters, <Frozen> was very popular in the digital online market as well. The film was serviced via IPTV and digital cable TV starting in March, hitting more than 280,000 views in just a week. It was the highest number of

views and sales revenue since the start of IPTV and digital cable TV weekly rankings. Downloadable products<sup>18)</sup> launched in various channels are assumed to have contributed to the high sales of the film. Except for <Frozen>, the overall TV VOD viewing rank showed strong performances by Korean films such as <The Pirates>, <Miss Granny> and <The Attorney> which were popular in theaters too. On the contrary, foreign films like <Lucy> (theater admissions: 1,974,843) and <Hercules> (theater admissions: 221,327), which that drew less than two million admissions in theaters performed relatively well in the TV VOD market. Most of the titles ranked at the top were successful films that sold more than three million tickets, showing that success in theaters extends into the TV VOD market.

<Table 24> Sales revenue for IPTV and digital cable TV market

Year	2010	2011	2012	2013	2014
Amount (KRW 100 million)	491	910	1,310	1,737	2,254
YoY growth (%)	-	85.3	44.0	32.6	29.7

<Table 25> Total film rankings for IPTV and digital cable TV in 2014

Rank	Title	Sales Revenue (KRW 100 million)	Views
1	Frozen	109.9	1,288,537
2	The Pirates	39.1	613,817
3	Miss Granny	37.0	945,937
4	The Attorney	35.7	663,412
5	The Fatal Encounter	33.8	591,390
6	KUNDO: Age of the Rampant	30.6	668,550
7	Tazza: The Hidden Card	29.6	476,928
8	Obsessed	27.5	488,837
9	The Divine Move	25.9	617,123
10	Snowpiercer	21.4	502,292

18 Price for products serviced through IPTV and digital cable are segmented based on duration of usage and image definition. Downloadable products are more expensive than short term streaming products, but can be replayed limitlessly after purchase. The name for these products of similar nature differs by platform and in this report they will be referred to as downloadable products.

〈Table 26〉 Korean film rankings for IPTV and digital cable TV in 2014

Rank	Title	Sales Revenue (KRW 100 million)	Views
1	The Pirates	39.1	613,817
2	Miss Granny	37.0	945,937
3	The Attorney	35.7	663,412
4	The Fatal Encounter	33.8	591,390
5	KUNDO: Age of the Rampant	30.6	668,550
6	Tazza: The Hidden Card	29.6	476,928
7	Obsessed	27.5	488,837
8	The Divine Move	25.9	617,123
9	Snowpiercer	21.4	502,292
10	Roaring Currents	18.4	368,109

〈Table 27〉 Foreign film rankings for IPTV and digital cable TV in 2014

Rank	Title	Sales Revenue (KRW 100 million)	Views
1	Frozen	109.9	1,288,537
2	Lucy	21.0	302,823
3	X-Men: Days of Future Past	20.4	317,453
4	Edge of Tomorrow	17.2	284,757
5	Transformers: Age of Extinction	16.9	344,548
6	Amazing Spider-man 2	16.2	277,965
7	How to Train Your Dragon 2	15.1	196,390
8	Thor: The Dark World	13.3	224,351
9	Hercules	12.0	195,649
10	Noah	11.5	239,591

## 2) On-line VOD

While the TV VOD market has been growing steadily each year based on its subscribers, the growth rate in the Internet VOD market has consistently fallen since 2011 and finally fell into negative figures in 2014. Its revenue dropped 31.5% from KRW 72.9 billion in 2013

to KRW 49.9 billion in 2014. Until 2013, web storage services represented a high portion of sales but in 2014 the revenue ratio between common type OSPs and special types was 58.3 to 41.7, the former exceeding the latter, including web storage services, for the first time. 〈Obsessed〉 was ranked number one among films

**<Table 28> Internet VOD market sales revenue status**

Year	2010	2011	2012	2013	2014
Amount (KRW 100 million)	267	501	618	729	499
YoY growth (%)	-	87.6	23.4	18.0	-31.5

watched through Internet VOD platforms. As a more personalized platform, restricted films exhibited relatively stronger performances on Internet VOD versus TV VOD. Movies with a relatively low number of admissions in theaters like <For the Emperor> (theater admissions: 591,502), <Rough Play> (theater admissions: 112,029) and <Hot Young Bloods> (theater admissions: 1,676,040) were ranked high while <The Wolf of Wall Street> were ranked at the top among foreign films, displaying the strength of films with restricted ratings. The 2014 sales revenue ranking of Naver's N Store, a mobile and desktop based N screen service, shows that <Frozen> performed strongly, just as it did in the TV VOD market. The ranking also includes 18+ rated films like <For the Emperor>, <The Taste> and <The Wolf of Wall Street>. It should also be noted <The Hunger Games> series are on the list although they are not new releases, demonstrating the features of the digital online market where films from the past can be enjoyed at any time.

**<Table 29> Total film rankings for Internet VOD, 2014<sup>(9)</sup>**

Rank	Title	Sales Revenue (KRW 100 million)
1	Obsessed	8.0
2	The Attorney	7.8
3	The Fatal Encounter	7.3
4	For the Emperor	6.8
5	Friend: The Great Legacy	6.0
6	The Face Reader	5.8
7	The Pirates	5.5
8	Rough Play	5.0
9	Hot Young Bloods	4.9
10	Miss Granny	4.6

**<Table 30> Korean film rankings for Internet VOD, 2014**

Rank	Title	Sales Revenue (KRW 100 million)
1	Obsessed	8.0
2	The Attorney	7.8
3	The Fatal Encounter	7.3
4	For the Emperor	6.8
5	Friend: The Great Legacy	6.0
6	The Face Reader	5.8
7	The Pirates	5.5
8	Rough Play	5.0
9	Hot Young Bloods	4.9
10	Miss Granny	4.6

**<Table 31> Foreign film rankings for Internet VOD, 2014<sup>(20)</sup>**

Rank	Title	Sales Revenue (KRW 100 million)
1	The Wolf of Wall Street	2.9
2	Divergent	2.3
3	Transcendence	2.0
4	Non-Stop	2.0
5	Lone Survivor	1.8
6	3 Days to Kill	1.6
7	Pompeii	0.9
8	Beauty and the Beast	0.9(0.86)
9	The Nut Job	0.8
10	The Giver	0.7



Although it is difficult to consolidate the sales of independent films in the Internet VOD market, <Table 34> and <Table 35> show the viewing rankings of Korean indie films on IPTV and Internet VOD that are

distributed by Indieplug, an online distributor specialized in independent films. We can make assumptions based on the data concerning which independent films were prominent in the digital online market.

**<Table 32> N-STORE: Korean film rankings in 2014<sup>21)</sup>**

Rank	Title
1	Obsessed
2	Miss Granny
3	The Attorney
4	For the Emperor
5	The Pirates
6	Young Mother
7	The Fatal Encounter
8	The Taste
9	Snowpiercer
10	Hot Young Bloods

**<Table 33> N-STORE: Foreign film rankings**

Rank	Title
1	Frozen
2	About Time
3	The Hunger Games: Catching Fire
4	The Hunger Games
5	The Wolf of Wall Street
6	Her
7	Lone Survivor
8	Tangled
9	Begin Again
10	The 100 year old man who climbed out the window and disappeared

**<Table 34> Korean independent film rankings for IPTV in 2014 (Distributed by Indieplug)**

Rank	Title
1	Go, Stop, Murder
2	All Bark, No Bite
3	The Satellite Girl and Milk Cow
4	Sleepless Night
5	Texture of Skin
6	Padak
7	Eden
8	Breathless
9	Ready Action! Violence Movies
10	The King of Pigs

**<Table 35> Korean independent film rankings for Internet VOD in 2014 (Distributed by Indieplug)**

Rank	Title
1	Queer Film 20
2	The Window
3	Go, Stop, Murder
4	The King of Pigs
5	The Satellite Girl and Milk Cow
6	Sleepless Night
7	Suddenly Last Summer + Going South
8	Breathless
9	Padak
10	One Night Stand

19 Rankings for IPTV and digital cable TV films are relatively accurate since they are aggregated data from the entire platform. Internet VOD film ranking should be used only as a reference because the data is based on the companies that responded to inquiries. More accurate aggregation will be possible in the future once the online box office's integrated network is established.

20 The rank is based on sales data provided by on-line distributors and does not reflect the data of films without clear sales revenue results or which were distributed by overseas distributors.

21 N Store Rank provided by Naver.

### 3) Packaged Products Market

The packaged products market has shown a negative growth rate since the beginning of records in 2009. However, in 2014 it showed slight growth, thanks to revenue from <Frozen>. Regarded as a 'collectible' in the TV VOD market, <Frozen> recorded high revenues from DVD and Blu-ray sales as well. Due to the success of <Frozen>, total revenue from DVD and Blu-ray sales have risen slightly; however, without content like <Frozen>, the decline of the packaged products market is likely to continue. Animated films such as <Frozen> and <Tangled>, and Hollywood blockbusters such as <Gravity> and <Captain America: The Winter Soldier>, ranked high in packaged products sales. While <The Thieves> was the only Korean film that ranked high in 2013, popular films such as <Snowpiercer>, <The Face Reader>, <The Attorney> and <Miss Granny> ranked high in 2014. Also, artistic films such as <The Grandmaster> and <Like Father, Like Son> garnered much attention in the packaged products market. The growing momentum of the digital online market, which started with the rise of IPTV and digital cable TV, has begun to slow down. Thus, efforts are being made to diversify the market by releasing a variety of products for each platform. Notably, <Frozen>, one of the most popular films of last year, single-handedly raised the growth rate of the packaged products market, on top of recording the highest sales through its large portion of downloadable products in the TV VOD market. The fact that a well-made piece of content has contributed to the growth of the market as a whole and opened up the doors to its expansion should be notable to the digital online market as well as the film market as a whole. Also, nine out of the top ten films on

IPTV were Korean films, which proves that the selling power of Korean films continued in the digital online market. Meanwhile, some suggest that the lack of foreign films in the top ten is due to illegal downloads. The expansion of service-related products, such as flat-rate subscriptions, is also notable. The digital online market has an edge over theaters in its availability and selection - creating a library of content for consumers. An increasing number of people are signing up for low-cost monthly subscriptions to services offering packages of films that have been out for a certain period; thus a longer lifespan for film content is expected. The most notable change in the Internet VOD market in 2014 is the shrinking sales of so-called web storage services; special type OSPs (online service providers). The industry suspects this shrinkage is due to the migration toward other devices and platforms<sup>22)</sup>, as many web storage sites shut down in 2014<sup>23)</sup>. Recently, illegal distribution of content on mobile devices has been increasing day by day, as various mobile applications enable the illegal streaming of movies. The ease of watching movies through illegal platforms creates an imbalance throughout the market, and it will threaten the digital online market and the film industry as a whole in the long run. An active response to the illegal market is required for the sustainable development of the digital online market. Thus the foundation of an organization that can lead the legalization of the market, uniting various platforms as well as production companies and distribution companies, is becoming increasingly necessary. Also, the establishment of a 'Network of Online Film Services' is urgently needed, in order to precisely assess the distribution of films as the digital online market is rapidly changing.

<Table 36> Packaged products market size

Category	2010	2011	2012	2013	2014
Amount (KRW 100 million)	351	298	230	210	218
YoY growth (%)	-	-15.1	-22.8	-8.7	3.8

22 Starting in July, 2014, the Ministry of Culture, Sports and Tourism conducted targeted surveillance and investigations against torrent sites, and exposed 58 people including 10 torrent website operators. According to research by the Korea Copyright Commission, a total of 13 million people were registered at 10 torrent websites caught during the investigation, and a total of 1.83 million pieces of illegal content were uploaded to these sites. The estimated damages to associated industries, calculated from the number of downloads, are estimated at KRW 82.6 billion. The film industry is estimate to have suffered the most damage; at KRW 41.3 billion.

23 Status of special type online service providers: Decreased to 67 businesses and 94 sites (as of December 2014), from 83 businesses and 116 sites (as of December 2013)

### 3. PRODUCTION COSTS AND RETURNS ON INVESTMENT OF KOREAN FILMS

The total number of Korean films released in 2014 was 217, and the total production costs were estimated at KRW 436.17 billion<sup>24</sup>), which represents an increase of KRW 46.69 billion compared to production costs in 2013, which amounted to KRW 389.48 billion. The average total production cost for Korean films in 2014 was KRW 2.01 billion, showing a decrease of KRW 130 million compared to that of 2013. However, with 35 more films than last year, the total production costs have risen greatly. A particularly notable trend was the steadily increasing market share of theatrically released low-budget films. In 2014, 157 films had total production costs of less than KRW 1 billion, representing a 72.3% share of all films released in Korean theaters, the highest percentage in history. This trend can be primarily attributed to the fact that so-called 'erotic movies' are

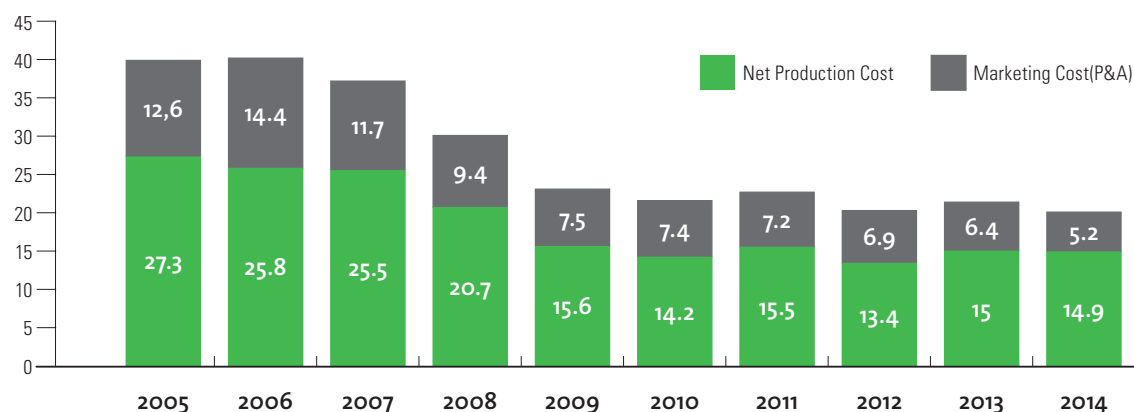
now classified as 'theater releases' if they ran for more than one day in theaters, in accordance with changes to the classification system after the expansion of the digital online film market with services such as IPTV. In addition, the increased number of low budget-films may have influenced the market share of low budget-films. Meanwhile, the average production cost of Korean commercial films<sup>25</sup>) released in theaters reached KRW 5.90 billion, showing an increase of KRW 150 million compared to the previous year. It is almost three times that of the average total production cost for Korean films (KRW 2.01 billion). The major reason for the rise in the average production costs of commercial films is the increase of projects targeting global markets, such as <The Nut Job> and <Make Your Move>, and large blockbuster films targeting high seasons,

<Table 37 > Annual average production costs for Korean films released in theaters

Year	Net Production Cost (A)		Marketing Cost (P&A) (B)		Total Production Cost (A + B)
	Average Net Production Cost(KRW 100 million)	Share (%)	Average Marketing Cost (KRW 100 million)	Share (%)	Average Total Production Cost(KRW 100 million)
2005	27.3	68.4	12.6	31.6	39.9
2006	25.8	64.2	14.4	35.8	40.2
2007	25.5	68.5	11.7	31.5	37.2
2008	20.7	68.8	9.4	31.2	30.1
2009	15.6	67.5	7.5	32.5	23.1
2010	14.2	65.7	7.4	34.3	21.6
2011	15.5	68.3	7.2	31.7	22.7
2012	13.4	66.0	6.9	34.0	20.3
2013	15.0	70.1	6.4	29.9	21.4
2014	14.9	74.1	5.2	25.9	20.1

24 Total production costs (estimate) of Korean films in 2014 = The number of films released in theater in 2014 × Average total production costs in 2014.

25 'Commercial films' refer to the films produced and distributed under commercial initiatives (with total production cost over KRW 1 billion, or released on more than 100 screens nationwide).

**<Figure 4> Breakdown of annual average total production costs for Korean films released in theaters**

such as <Roaring Currents>, <Ode to My Father>, <The Pirates> and <KUNDO: Age of the Rampant>. Among 217 Korean films released in theaters in 2014, 69 films<sup>26)</sup> were subject to the Korean film investment profitability analysis. Since the analysis is announced at the beginning of the year, many films cannot produce finalized costs in time; thus basic research on the production cost of the films, and integrated network data from the Korean ticket offices, is used to calculate a tentative aggregated return on investment<sup>27)</sup>. Commercial films released in theaters typically record theater sales that correlate with revenues from the digital online

and overseas markets. Certainly, some films that have failed in theaters gain positive feedback from the digital online market or the overseas market. However, since these cases are not common, the margin of error for this method of estimation for the whole industry is minimal, while it may create a difference in the return on investment for certain films. On the other hand, this method has its limitations for certain films. Since jointly produced films that target the overseas market from their early stages typically record far higher overseas sales than domestic sales, it is unreasonable to estimate their total sales from the integrated network data from

**<Table 38 > Annual average production costs for Korean commercial films released in theaters**

Year	Net Production Cost (A)		Marketing Cost (P&A) (B)		Total Production Cost(A + B)
	Average Net Production Cost (KRW 100 million)	Share (%)	Average Marketing Cost (KRW 100 million)	Share (%)	Average Total Production Cost (KRW 100 million)
2010	27.2	64.9	14.7	35.1	41.9
2011	32.5	67.6	15.6	32.4	48.1
2012	30.4	65.0	16.4	35.0	46.8
2013	40.4	70.4	17.0	29.6	57.4
2014	43.8	74.2	15.2	25.8	59.0

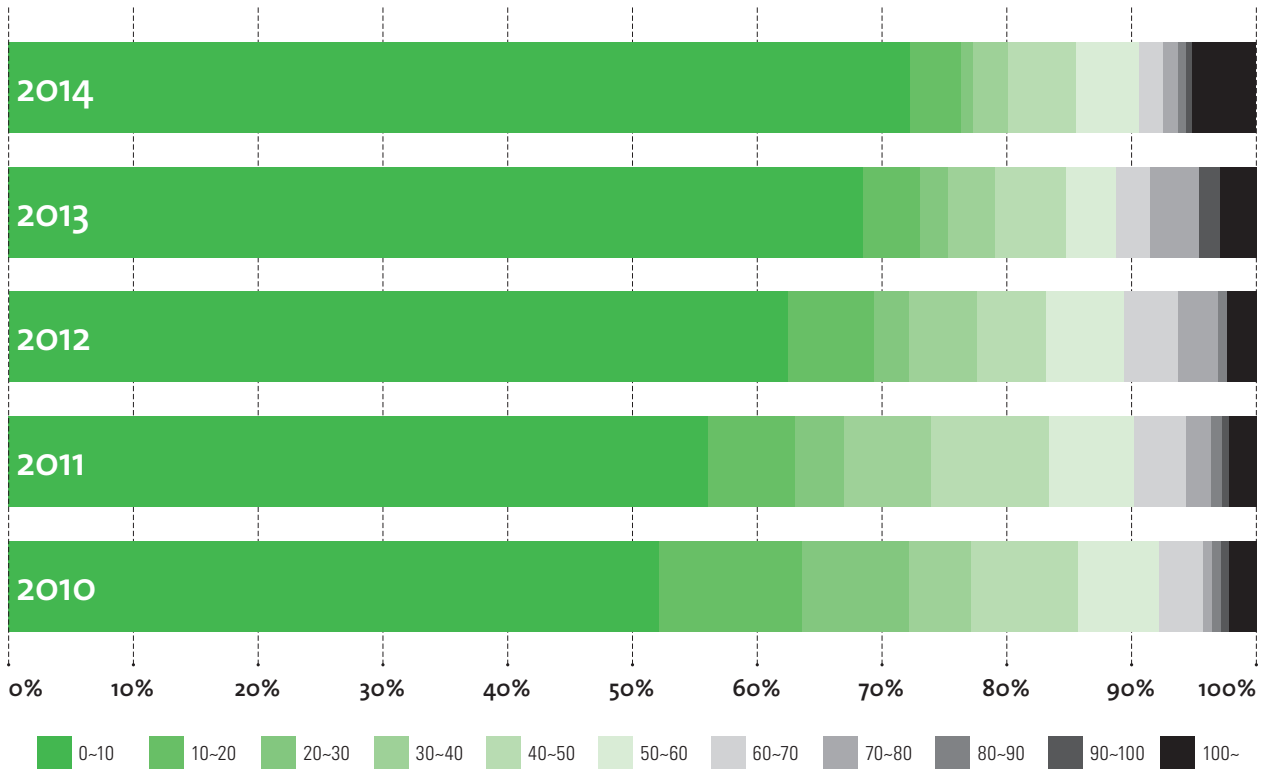
26 Commonly, the subjects of investment profitability for Korean films are limited to films produced and distributed in commercial terms. Therefore out of the 217 Korean films released in the theaters in 2014, 148 films with a total production cost that was less than KRW 1 billion and were released in less than 100 screens nationwide are excluded.

27 Overall return on investment for Korean cinema is calculated based on the data retrieved from Integrated theater ticket network (as of January 21, 2015) with estimates on theater sales of each film and other sales revenues (digital online markets (IPTV, etc.), overseas market).

28 2014 Korean Film Industry Research and Profitability Analysis of Korean Films, scheduled to be published in the second half of 2015, will include the ROI of Korean films that reflect the adjusted data of <The Nut Job> and <Make Your Move>.



<Figure 5> Ratio of Korean films released in theaters by annual total production cost range



the Korean ticket offices; among the films subject to the 2014 Korean film investment profitability analysis, films such as <The Nut Job> and <Make Your Move> fall into this category. While these films have failed in domestic theater sales, their overseas sales and licensing pre-sales are far higher than their domestic theater

sales. However, since the finalization of production costs through audit reports hasn't been done for these films, the exact revenue could not be calculated in the basic research; thus they were excluded from the 2014 Korean film investment profitability analysis<sup>28)</sup>.

<Table 39 > Number of Korean films released in theaters by annual total production cost range

Category(KRW 100 million)		0~10	10~20	20~30	30~40	40~50	50~60	60~70	70~80	80~90	90~100	100~	Total
2010	number	73	16	12	7	12	9	5	1	1	1	3	140
	Share(%)	52.1%	11.4%	8.6%	5.0%	8.6%	6.4%	3.6%	0.7%	0.7%	0.7%	2.1%	100%
2011	number	82	10	6	10	14	10	6	3	1	1	3	146
	Share(%)	56.2%	6.8%	4.1%	6.8%	9.6%	6.8%	4.1%	2.1%	0.7%	0.7%	2.1%	100%
2012	number	109	12	5	9	10	11	7	6	1	0	4	174
	Share(%)	62.6%	6.9%	2.9%	5.2%	5.7%	6.3%	4.0%	3.5%	0.6%	0.0%	2.3%	100%
2013	number	125	8	4	7	11	7	5	7	0	3	5	182
	Share(%)	68.7%	4.4%	2.2%	3.8%	6.0%	3.8%	2.8%	3.8%	0%	1.7%	2.8%	100%
2014	number	157	9	2	6	12	11	4	3	1	1	11	217
	Share(%)	72.3%	4.1%	0.9%	2.8%	5.5%	5.1%	1.8%	1.4%	0.5%	0.5%	5.1%	100%

&lt;Table 40&gt; ROI of Korean films, 2005-2014 (Unit: KRW 1 million)

Category	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Total Revenue</b>	336,786	388,058	266,927	200,839	245,821	263,449	293,916	438,458	501,783	346,069
<b>Total Cost</b>	312,117	513,640	448,813	355,667	282,945	296,001	344,700	386,873	439,622	344,874
<b>Gross Profit</b>	24,669	-125,582	-181,886	-154,827	-37,123	-32,552	-50,784	51,585	62,161	1,195
<b>ROI(%)</b>	7.9%	-24.5%	-40.5%	-43.5%	-13.1%	-11.0%	-14.7%	13.3%	14.1%	0.3%

Overall, the tentative aggregate of return on investment based on the 67 films<sup>29)</sup> that were subject to the analysis conditions was 0.3%. While it is positive that positive returns have been maintained for three years in a row, this year's returns have declined notably, compared to returns from 2012 and 2013 that amounted to 13.1~14.1%. Three major causes seem to be responsible for these declines in return on investment. First, the root cause of the decline is reduced theater turnout for Korean films. At 107.7 million viewers, the theater turnout in 2014 showed a decline of approximately 20 million, compared to 127.29 million in 2013. Moreover, while viewers flocked to some films such as <Roaring Currents>, which attracted 17.61 million viewers, other films showed negative returns, and there has been a marked increase in the number of films that lost more than half of their total production costs. Second, so-called 'medium hit' films with five to eight million viewers disappeared in 2014. When comparing films subject to the analysis in 2013 and 2014, the number of 'mega hits' is the same with four for each year<sup>30)</sup>. However, while four films recorded between five to eight million viewers in 2013<sup>31)</sup>, there were none in 2014. Even when the category of 'medium hit' films is expanded to three to eight million viewers, only six films<sup>32)</sup> fell into the category, while

there were 10 in 2013<sup>33)</sup>. This means that there were less films with considerable profit, other than a few 'mega hits,' decreasing the total profit margin. Finally, the failure of some blockbuster films acted as a contributing factor to the lower return on investment. Since blockbuster films<sup>34)</sup> typically involve higher production costs, their failure results in far greater losses, even if their loss rate is similar to that of other commercial films. In 2014, many blockbuster films recorded less than one to two million viewers, contributing to the fall of the industry-wide return on investment. Meanwhile, 18 films went over the break-even point (BEP), which is used as the yardstick of profitability for a film, representing a market share of about 26.9% of the total 67 films. Among these 18 films, five films exhibited ROIs higher than 100%, accounting for 7.5% of the total number of films.

29 Among 69 films subject to the Korean film investment profitability analysis (with a total production cost that was more than KRW 1 billion or were released in more than 100 screens nationwide), two films (<The Nut Job> and <Make Your Move>), that are not suitable for the ROI estimation method, are excluded.

30 <Miracle in Cell No.7>, <The Attorney>, <Snowpiercer>, and <The Face Reader> in 2013, <Roaring Currents>, <Ode to My Father>, <The Pirates>, and <Miss Granny> in 2014.

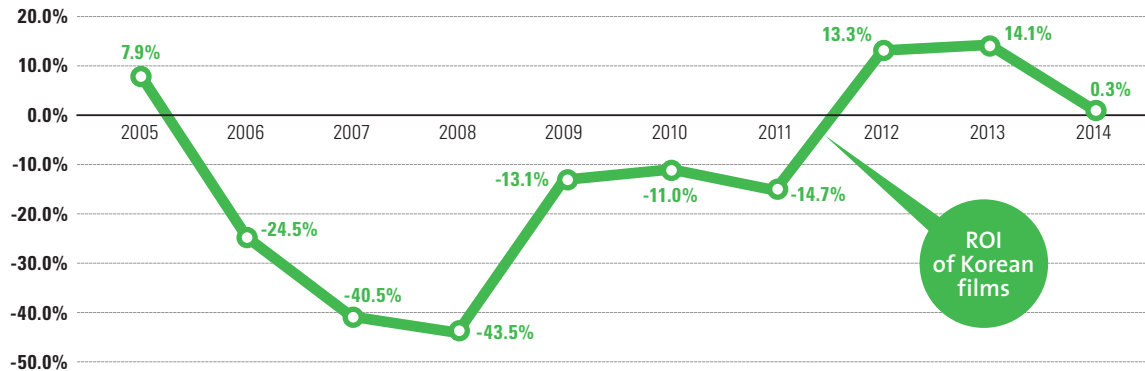
31 <The Berlin File>, <Secretly Greatly>, <Hide N Seek>, and <The Terror, LIVE>

32 <KUNDO: Age of the Rampant>, <My Love, Don't Cross That River>, <Tazza-The Hidden Card>, <The Fatal Encounter>, <The Divine Move>, and <A Hard Day>

33 <The Berlin File>, <Secretly Greatly>, <Hide N Seek>, <The Terror, LIVE>, <New World>, <The Suspect>, <Cold Eyes>, <Man on the Edge>, <The Spy: Undercover Operation>, and <The Flu>

34 『Profitability Analysis of Korean Films』 classifies films with total production cost of over KRW 8 billion and net production cost of over KRW 6 billion as 'Blockbuster films'

&lt;Figure 6&gt; Annual Trend: ROI of Korean films



&lt;Table 41&gt; ROI of Korean theatrical releases in 2014 (Estimates)

Contents		Korean theater releases	Note
The number of films subject to the 'Profitability Analysis'		67	
Average Total Production Cost(A)	Average Net Production Cost	3.6 billion won	
	Average Marketing Cost	1.54 billion won	
	Total	5.14 billion won	
Average total Revenue(B)		5.17 billion won	
Average amount of the Return(C= B-A)		20 million won	
Average Return(%)		0.3%	
The number of films over the BEP		18	
The ratio of films over the BEP(%)		26.9%	
The number of films over the 50% Return		10	Includes the number of films over the 100% Return
The ratio of films over the 50% return (%)		14.9%	Includes the ratio over the 100% Return
The number of films over the 100% Return		5	
The ratio of films over the 100% Return(%)		7.5%	

## 4. NATIONWIDE THEATERS AND MULTIPLEXES

The number of national theaters increased from 333 to 356, representing a 6.9% increase in 2014. 97 new screens were introduced in 2014, bringing the total number of screens to 2,281, which is the highest figure

of the last ten years. As a result, 22,692 more seats were added, making the total number of seats 372,361. 'Special screens' such as 3D, IMAX and 4D totaled 876, 15 and 32 respectively, comprising 40.5% of all screens.

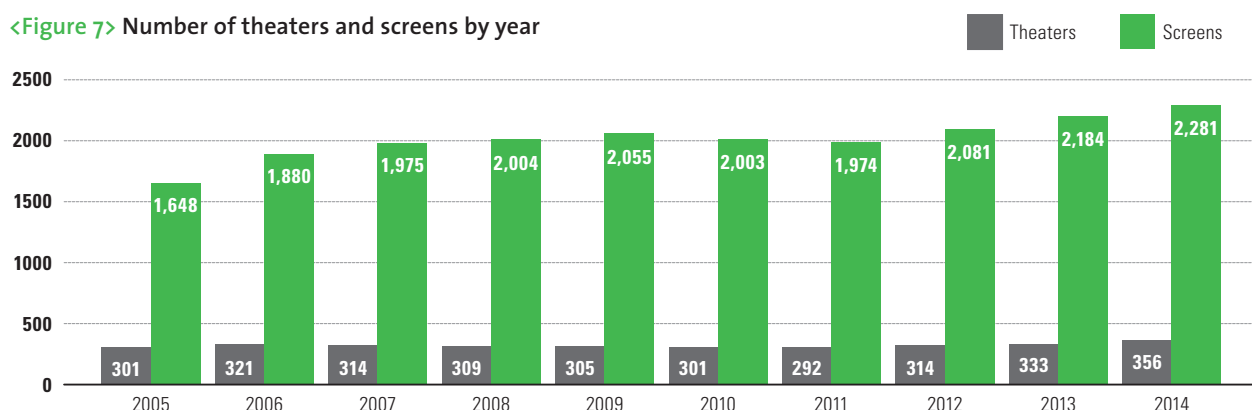
&lt;Table 42&gt; Number of theaters and screens nationwide by year

Year	Admissions (in 10,000)	No. of Theaters	No. of Screens	No. of Seats
2005	14,552	301	1,648	322,110
2006	15,341	321	1,880	354,691
2007	15,877	314	1,975	365,034
2008	15,083	309	2,004	362,657
2009	15,696	305	2,055	360,796
2010	14,681	301	2,003	349,640
2011	15,979	292	1,974	341,905
2012	19,489	314	2,081	358,659
2013	21,335	333	2,184	349,669
2014	21,506	356	2,281	372,361

The Jeollanam-do region had the highest percentage increase in its number of screens, showing a 21.2% rise compared to the previous year, followed by Jeollabuk-do with a 20.8%, reaching a total of 93 screens. As of 2014, 295 out of 356 (82.6%) theaters nationwide were multiplexes<sup>35</sup>. All the theaters in Chungcheongbuk-do, Jeollanam-do and Sejong regions were multiplex theaters. Multiplexes brought in 96.9% of total viewers and 97.5% of total revenue. The three major multiplex chains in Korea are CJ

CGV (henceforth CGV), Lotte Cinema, and Megabox. The total number of theaters belonging to these chains was 288, representing an 80.9% share of the total number of theaters. The number of screens at multiplex theaters was dominant, showing a 92% share (2,072) out of the total number of screens (2,284). On the other hand, the number of multiplex theaters run by those outside of the top three chains has been continuously decreasing, and currently represents only 66 screens in seven theaters throughout the nation.

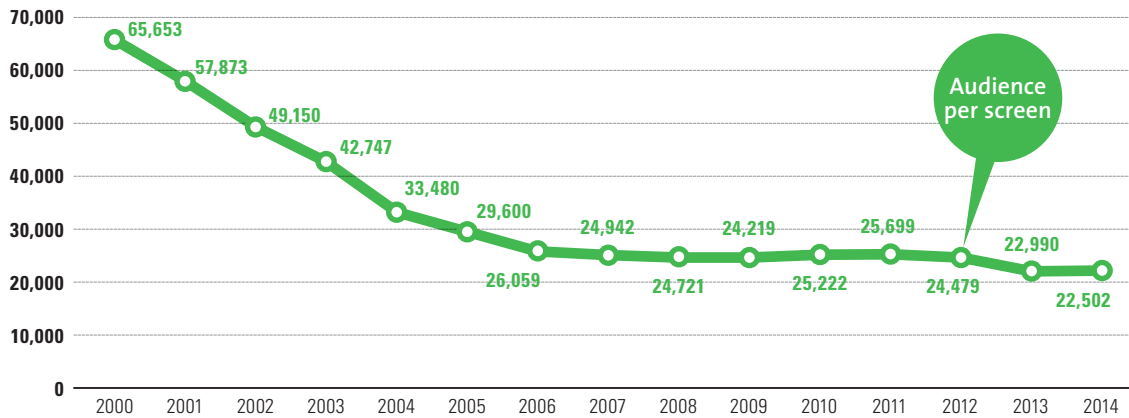
&lt;Figure 7&gt; Number of theaters and screens by year



35 The Korean Film Council aggregates data for multiplex theaters as follows: 1) Nationwide multiplex chains (such as CJ CGV, Lotte Cinema, and Megabox) managed directly, or outsourced theaters of these chains; 2) Other theaters with more than 7 screens.



&lt;Figure 8&gt; Audience per screen by year



&lt;Table 43&gt; Number of theaters and screens in 2014

Region	Number of Theaters				Number of Screens				Number of Seats			
	2013	2014	YoY		2013	2014	YoY		2013	2014	YoY	
			Number of Additions	Growth Rate(%)			Number of Additions	Growth Rate(%)			Number of Additions	Growth Rate(%)
Seoul	74	76	2	2.7%	475	469	-6	-1.3%	81,553	80,583	-970	-1.2%
Busan	25	26	1	4.0%	183	193	10	5.5%	32,350	34,596	2,246	6.9%
Daegu	19	20	1	5.3%	131	132	1	0.8%	21,224	21,187	-37	-0.2%
Incheon	17	19	2	11.8%	111	124	13	11.7%	18,327	19,814	1,487	8.1%
Gwangju	14	14	0	0.0%	107	107	0	0.0%	18,151	18,151	0	0.0%
Daejeon	9	9	0	0.0%	61	61	0	0.0%	10,716	10,782	66	0.6%
Ulsan	5	5	0	0.0%	36	37	1	2.8%	6,009	6,022	13	0.2%
Gyeonggi	73	81	8	11.0%	486	515	29	6.0%	77,729	80,545	2,816	3.6%
Gangwon	9	11	2	22.2%	62	65	3	4.8%	9,703	9,741	38	0.4%
Chungcheongbuk-do	9	10	1	11.1%	72	80	8	11.1%	12,341	14,048	1,707	13.8%
Chungcheongnam-do	12	12	0	0.0%	73	77	4	5.5%	10,419	9,837	-582	-5.6%
Jeollabuk-do	15	19	4	26.7%	77	93	16	20.8%	11,904	14,429	2,525	21.2%
Jeollanam-do	8	10	2	25.0%	52	63	11	21.2%	7,426	8,977	1,551	20.9%
Gyeongsangbuk-do	16	16	0	0.0%	94	94	0	0.0%	7,835	15,536	7,701	98.3%
Gyeongsangnam-do	21	21	0	0.0%	128	133	5	3.9%	21,237	21,927	690	3.2%
Jeju	6	6	0	0.0%	31	33	2	6.5%	2,007	4,386	2,379	118.5%
Sejong	1	1	0	0.0%	5	5	0	0.0%	738	738	0	0.0%
Total	333	356	21	6.9%	2,184	2,281	97	4.4%	349,669	371,299	21,630	6.2%

&lt;Table 44 &gt; Share of multiplexes in 2014

Region	Number of Theaters			Number of Screens			Number of viewers (1,000)			Revenue of Theaters (KRW 1,000)		
	Total Number of Theaters	Number of Multiplex Theaters	Share of Multiplexes (%)	Total Number of Screens	Number of Screens at Multiplexes	Share of Multiplexes (%)	Total Viewers	Number of Viewers at Multiplexes	Share of Multiplexes (%)	Total Revenue	Revenue for Multiplexes	Share of Multiplexes (%)
Seoul	76	58	76.3	469	445	94.8	59,510	57,630	96.8	480,828,705	469,501,576	97.6
Busan	26	23	82.1	193	188	97.4	16,786	15,986	95.2	128,199,775	123,277,890	96.2
Daegu	20	17	85.0	132	129	97.7	12,460	11,896	95.5	96,111,037	91,921,414	95.6
Incheon	19	15	78.9	124	113	91.1	10,506	10,142	96.5	83,126,944	81,224,909	97.7
Gwangju	14	12	85.7	107	105	98.1	8,340	8,306	99.6	60,331,088	60,089,063	99.6
Daejeon	9	7	77.7	61	54	88.5	7,740	7,269	93.9	59,365,391	56,035,320	94.4
Ulsan	5	4	80	37	35	94.5	4,571	4,571	100.0	37,129,084	37,129,011	100.0
Gyeonggi	81	74	91.3	515	500	97.0	47,560	46,913	98.6	366,366,253	361,688,670	98.7
Kangwon	11	8	80	65	61	93.8	4,946	4,877	98.6	37,587,155	37,221,452	99.0
Chungcheongbuk-do	10	10	100.0	80	80	100	5,690	5,037	88.5	41,053,168	36,562,266	89.1
Chungcheongnam-do +Sejong	13	10	76.9	82	72	87.8	6,860	6,709	89.1	50,715,958	49,613,199	97.8
Jeollabuk-do	19	11	57.8	93	74	79.5	6,630	6,230	94.0	48,920,769	46,773,410	95.6
Jeollanam-do	10	9	90.0	63	61	96.8	3,788	3,761	99.3	26,271,383	26,093,212	99.3
Gyeongsangbuk-do	16	14	87.5	94	92	97.8	6,341	6,310	99.5	48,254,389	48,060,097	99.6
Gyeongsangnam-do	21	18	85.7	133	123	92.4	11,291	10,888	96.4	84,764,346	82,775,533	97.7
Jeju	6	5	83.3	33	32	96.9	2,037	2,037	100.0	15,093,205	15,093,205	100.0
Total	356	295	82.8	2,281	2,164	94.8	215,056	208,562	96.9	1,664,118,650	1,623,060,227	97.5

&lt;Table 45 &gt; Number of multiplexes run by the major 3 chains in 2014

Category			2013			2014									Form of Management			
			No. of Theaters	No. of Screens	No. of Seats	No. of Theaters	No. of increase	YoY Growth Rate (%)	No. of Screens	No. of increase	YoY Growth Rate (%)	No. of Seats	No. of increase	YoY Growth Rate (%)	Direct Management	Percentage	Outsourced Theaters	Percentage
Multiplex	Multiplex run by the Major 3	CGV	116	901	147,725	126	10	8.6%	948	47	5.2%	153,647	7,058	4.8%	78	62%	48	38%
		Lotte Cinema	96	657	108,683	100	4	4.2%	698	41	6.2%	116,684	8,001	7.4%	73	73%	27	27%
		Megabox	58	438	70,891	62	4	6.9%	452	14	3.2%	71,374	483	0.7%	23	37%	39	63%
		Subtotal	270	1,996	327,299	288	18	6.7%	2,098	102	5.1%	342,897	15,598	4.8%	174	60%	113	40%
	Other Multiplex	8	76	13,751	7	-1	-12.5%	66	-10	-13.2%	11,901	-1,850	-13.5%	-	-	-	-	
	Subtotal	278	2,072	341,050	295	17	6.1%	2,164	92	4.4%	354,798	13,748	4.0%	-	-	-	-	
Non-Multiplex			55	112	8,619	61	6	10.9%	117	5	4.5%	17,563	8,944	103.8%	-	-	-	-
Total (number of theater)			333	2,184	349,669	356	23	6.9%	2,281	97	4.4%	372,361	22,692	6.5%	-	-	-	-

## 5. EXPORTS<sup>36)</sup>

In 2014, total exports for the Korean film industry amounted to USD 63,084,427, a 6.1% increase from the previous year's USD 59,459,856. Exports from the Korean film industry have increased over the past three years since 2011.

### 1) Exports of Film Products

The total amount of exports for Korean films was USD 26.38 million in 2014, representing a 28.8% decrease from 2013. Considering an abnormal surge in exports due to the exceptional success of <Snowpiercer> in 2013, overall, the total amount of exports is on the rise. In 2014, China was the biggest importer of Korean films. Exports to China have been increasing every year, and in 2014, they hit a record-high amount of USD 8.21 million, thanks to increased local revenue from contract sales<sup>37)</sup>. China's share of Korean exports increased by more than four times compared to 2013, amounting to 31.1% of total exports. This surpasses exports to Japan (USD 4.47 million), which used to be the biggest importer of Korean films by an almost two-fold margin. This increase

is the result of continued sales of Korean film rights in digital online markets, increased distribution revenue from local branches, and a surge in the sales of films featuring star actors, along with heated competition amongst Chinese companies for Korean films. The additional revenue for incumbent films sold previously (overage) has greatly increased as well. The total additional revenue of Korean films in 2014 was a record-high at USD 7.74 million, an increase of over 166% from 2013's USD 2.91 million. The total number of Korean films exported in 2014 was 529, an increase of 129 from 2013. This increase was due to the export of animation shorts as well as the continued sales of libraries consisting of older Korean films. Thus the average amount of exports was lower than the previous years' average, reaching USD 35,230. None of the films recorded significant sales over USD 1 million or were exported to over 20 countries. The Asian region, which includes China, accounted for the biggest share of Korean film exports. The total amount of exports to the Asian region was USD 20.87 million, which was 79.1% of total exports - this

<Table 46 > Trend for annual export tallies for film products and services (Unit : USD)

Category	2010	YoY Growth Rate (%)	2011	YoY Growth Rate (%)	2012	YoY Growth Rate (%)	2013	YoY Growth Rate (%)	2014	YoY Growth Rate (%)
Amount of exports for film products (USD)	13,582,850	-	15,828,662	16.5%	20,174,950	27.5%	37,071,445	83.7%	26,380,475	-28.8%
Amount of exports for services (USD)	28,637,506	-	19,041,163	-33.5%	17,649,854	-7.3%	22,388,411	26.8%	36,703,952	63.9%
Total amount of exports (USD)	42,220,356	-	34,869,825	-17.4%	37,824,804	8.5%	59,459,856	57.2%	63,084,427	6.1%

36 The Korean Film Council has been aggregating the export of Korean film products as well as the exports of services as part of exports since 2010. 'Exports' consist of the following: 1) Export of film products; 2) Export of services (including sales derived from the local shooting of international films).

37 Local revenue includes additional revenue and shared-distribution revenue.

◀Table 47▶ Trends for annual exports tallies: Korean films (Unit : USD)

Category	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Total amount of Exports</b>	75,994,580	24,514,728	24,396,215	21,036,540	14,122,143	13,582,850	15,828,662	20,174,950	37,071,445	26,380,475
<b>YoY Growth Rate (%)</b>	30.39%	-67.74%	-0.48%	-13.77%	-32.87%	-3.82%	16.53%	27.46%	83.7%	-28.8%
<b>Contract amount (MG+Flat+Others)</b>	75,994,580	24,514,728	12,283,339	20,541,212	13,930,262	13,166,280	14,815,146	14,170,390	34,156,895	18,636,519
<b>Additional revenue (Overage)</b>	-	-	12,112,876	495,328	191,881	416,570	1,013,516	6,004,560	2,914,550	7,743,956
<b>Number of films exported*</b>	202	208	321	361	251	276	366	331	403	529
<b>Average amount of exports**</b>	376,211	117,859	38,266	56,901	55,499	47,704	40,479	42,811	84,756	35,230

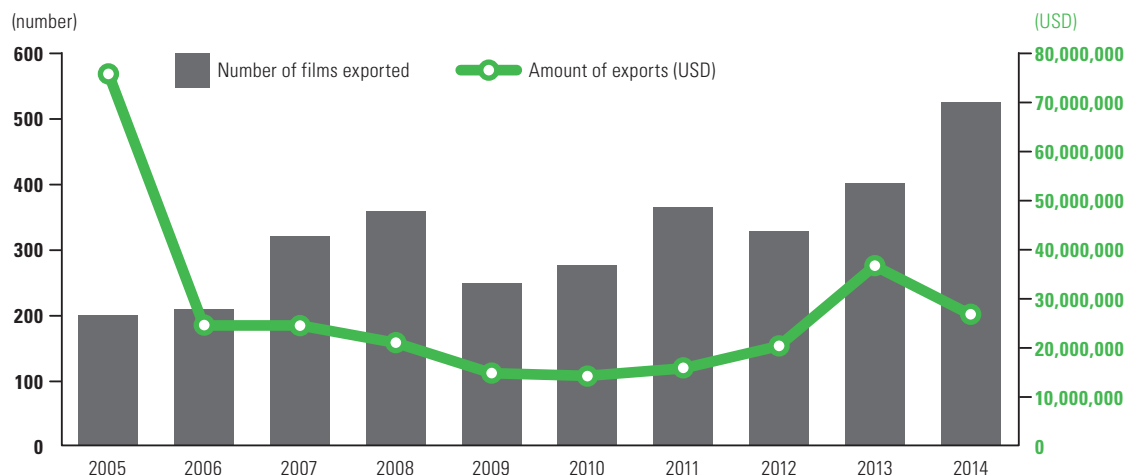
※ Additional sales of incumbent works sold previously is not included in the number of films exported. For sales of packaged products combining more than 30 films, one sales contract is counted as one film.

※ ※ Average amount of exports = Contract Amount / Number of films exported

was due to the Japanese market and Chinese market. Since films such as <Snowpiercer>, <Miss Granny> and <Roaring Currents> were either directly distributed or distributed in the form of revenue sharing (RS), local revenues can now be counted in export records, which is encouraging. Meanwhile, movies starring high-profile actors, such as <Gangnam Blues>, <The Con Artists>, <My Brilliant Life> and <Obsessed>, led exports by being sold at relatively high prices.

On the other hand, the amount of exports to Europe was USD 1.76 million, which is a decrease of 74.6% compared to 2013. Even after considering the 'Snowpiercer Effect' of 2013, it should still be seen as a big drop. The main cause of this drop seems to be the marked absence of any directors who made it big on the film festival circuit. However, it is notable that <A Hard Day>, which garnered attention through its screening during the Directors' Fortnight at the Cannes Film Festival,

◀Figure 9▶ Trend for annual export amount: Number of Korean films

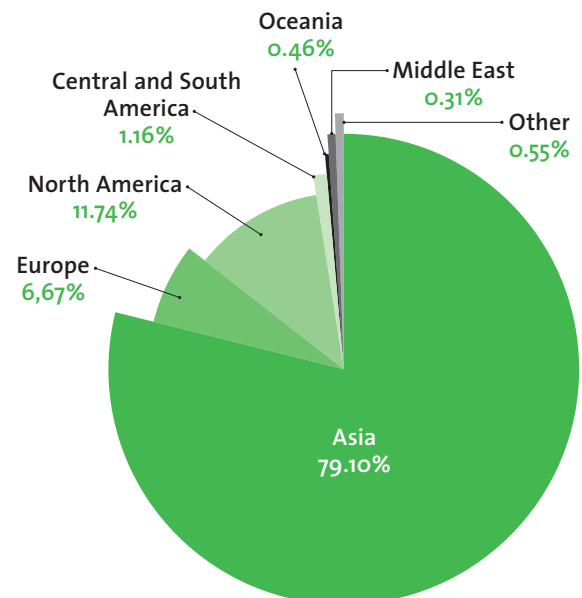


◀Table 48▶ Exports tallies by region: 2012 - 2014

Region	Amount of exports (USD)						YoY Growth Rate (%)
	2012	Share (%)	2013	Share (%)	2014	Share (%)	
Asia	14,439,757	71.6%	17,161,096	46.3%	20,867,717	79.1%	21.6%
North America	2,872,752	14.2%	6,931,734	18.7%	3,097,044	11.7%	-3.0%
Europe	2,455,745	12.2%	3,193,230	8.6%	1,760,129	6.7%	-74.6%
Central and South America	233,500	1.2%	1,864,863	5.0%	306,223	1.2%	-83.6%
Oceania	134,196	0.7%	144,822	0.4%	122,630	0.5%	-15.3%
Middle East	39,000	0.2%	200,700	0.5%	81,100	0.3%	-59.6%
Others	-	-	7,575,000	20.4%	145,632	0.6%	100.0%
<b>Total</b>	<b>20,174,950</b>	<b>100.0%</b>	<b>37,071,445</b>	<b>100.0%</b>	<b>26,380,475</b>	<b>100.0%</b>	<b>-28.8%</b>

garnered positive sales revenue as a high quality genre film, after its success in the domestic market. As shown in <Figure 11>, exports to the Asian region are shown increasing steadily, while exports to Europe show repeated rises and falls. The growth of exports to the Asian region, centered on the Chinese market, is expected to continue unless an unusual variable disrupts the trend. The direct distribution of films to Japan and Vietnam through Korean multiplex branches is actively progressing, and the popularity of Korean films amongst Chinese importers remains high. As mentioned above, the growth of exports to China was remarkable in 2014. China has become the biggest importer of Korean films, surpassing Japan, which had been the biggest importer for many years. At USD 8.21 million, China's share of Korean exports increased by more than four times that of 2013. <Snowpiercer> created revenue with its distribution through local branches, and films starring actors who rose to stardom through dramas, such as <Gangnam Blues> and <The Con Artists>, were sold at high prices, aiding in a sizable increase in the amount of exports - Chinese buyers competed for these films at the Hong Kong and Cannes Film Market. Chinese companies also actively participated at the Asian Film

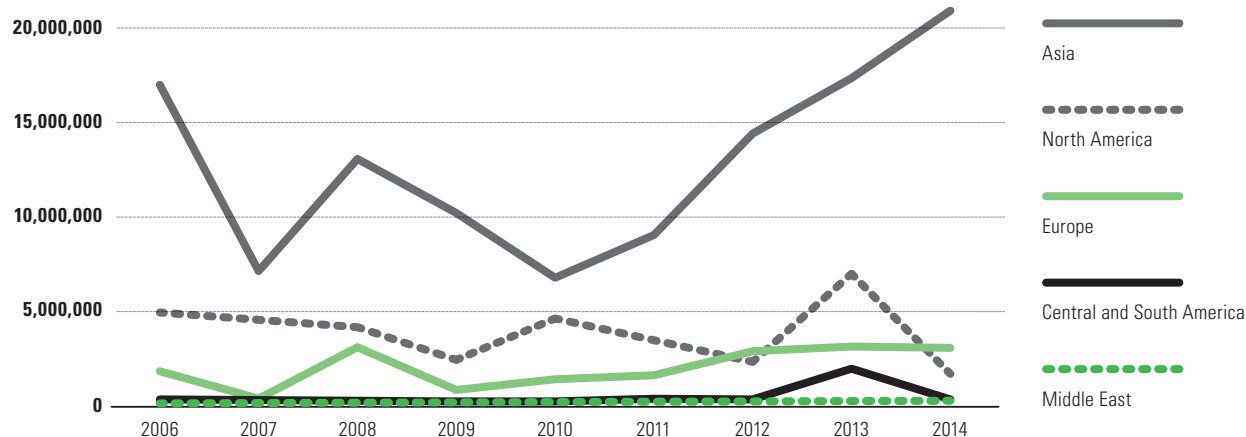
◀Figure 10▶ Share of exports of Korean films by region in 2014



Market during the Busan International Film Festival. A noticeable change in exports to China in 2014 was the significant increase in the price of export



&lt;Figure 11&gt; Trend for annual export tallies of Korean films by region



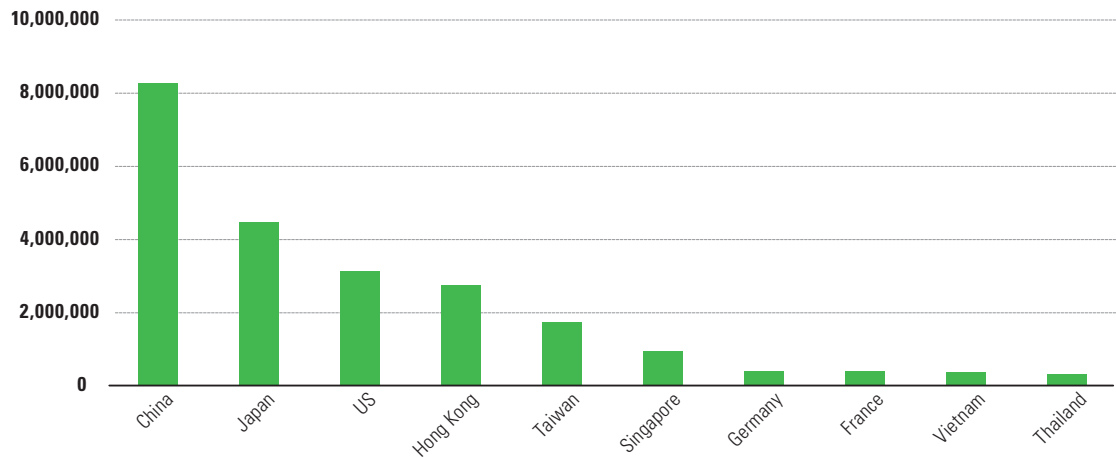
contracts. While individual sales cannot be revealed, certain films that featured star actors prompted competitive bids, and were sold at over USD 500,000. Considering the fact that popular films were usually sold at around USD 20~30,000, and that USD 150,000 was the highest price among the films sold

to China, the export price for films has surged by over three to four factors in the space of a year. Another aspect in the increased exports to China was the additional revenue created locally. Along with the theater revenue of <Snowpiercer>, additional revenue from various internet VOD distribution

&lt;Table 49&gt; Korean film export tallies by major countries: 2012-2014

Country	2012		2013		2014		Amount of Exports Growth (%)
	Amount of Exports (USD)	Share	Amount of Exports (USD)	Share	Amount of Exports (USD)	Share	
China	730,809	3.6%	1,757,100	6.7%	8,206,702	31.1%	367.1%
Japan	9,679,008	48.0%	8,085,102	30.7%	4,474,824	17.0%	-44.7%
US	2,341,685	11.6%	3,040,243	11.5%	2,900,625	11.0%	-4.6%
Hong Kong	832,700	4.1%	2,208,540	8.4%	2,755,624	10.4%	24.8%
Taiwan	581,908	2.9%	1,123,000	4.3%	1,772,500	6.7%	57.8%
Singapore	500,000	2.5%	915,145	3.5%	937,650	3.6%	2.5%
Germany	407,794	2.0%	879,700	3.3%	442,836	1.7%	-49.7%
France	1,175,300	5.8%	2,452,632	9.3%	409,665	1.6%	-83.3%
Vietnam	-	-	391,506	1.5%	396,455	1.5%	1.3%
Thailand	331,892	1.7%	663,000	2.5%	353,796	1.3%	-46.6%
Other	3,593,854	17.8%	15,555,477	59.0%	3,729,798	14.1%	-76.0%
Total	20,174,950	100.0%	37,071,445	100.00%	26,380,475	100.0%	-28.8%

◀Figure 12▶ Korean film export tallies to major countries in 2014 (Unit : USD)



rights played a big role in raising the exports total. As trade with China is becoming more vibrant, this additional revenue shows that trust and transparency in the Chinese market have greatly improved. On the other hand, the Japanese market showed a decline in both the amount of exports and its share in the total amount of exports. The amount of exports to Japan was USD 4.47 million, which was a startling 44.7% drop. This is a sign of a volatile Japanese market, which at one point used to be a strong export partner for Korean films, consistently purchasing films starring popular 'Hallyu Stars' at high prices.

Moreover, the films starring high profile actors were sold at lower prices in 2014; this is mainly due to a lack of active Korean stars, as well as a turbulent political relationship between Korea and Japan. Reduced exports to France were also notable. At USD 410,000, the amount of exports to France dropped by 83% compared to 2013. While <Snowpiercer> and <Haemoo> drove exports to France, the lack of such films in 2014 resulted in a decreased amount of exports. Currently, it is not known if this is a temporary anomaly, or the start of a downward trend. Meanwhile, exports to the US have stayed at the same level since 2013, due

◀Table 50▶ Comparison of rights types of exported Korean films: 2013 vs. 2014<sup>38)</sup>

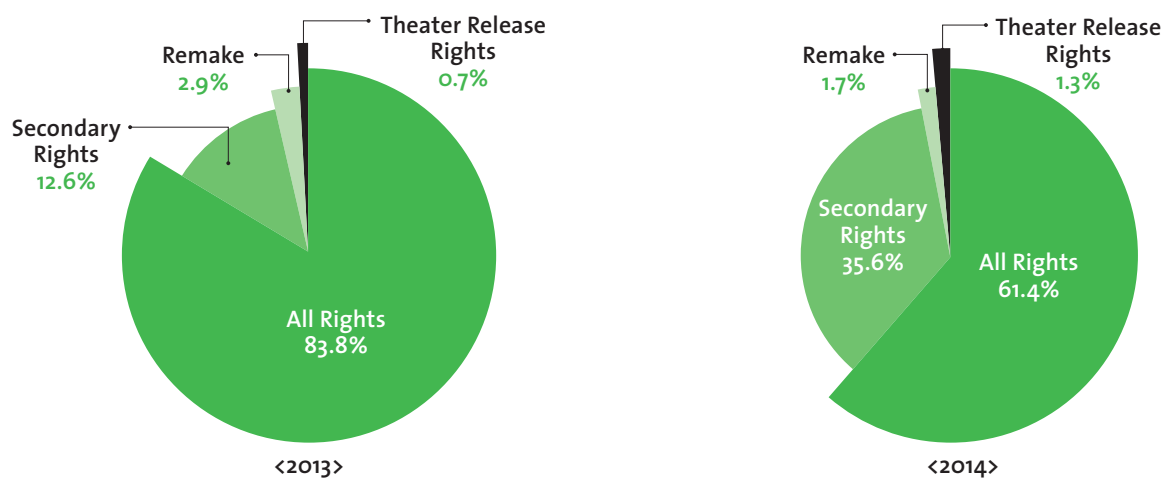
Type of Rights Contracted	2013		2014		YoY Growth Rate (%)
	Amount (USD)	Share	Amount (USD)	Share	
All Rights*	28,630,210	83.8%	11,440,052	61.4%	-60.0%
Secondary Rights**	4,296,185	12.6%	6,643,222	35.6%	54.6%
Remake	1,000,000	2.9%	310,000	1.7%	-69.0%
Theater Release Rights	230,500	0.7%	243,245	1.3%	5.5%
Total	34,156,895	100.0%	18,636,519	100.0%	-45.4%

※ Some conditional rights contracts were also included as 'All Rights'

※ ※ Secondary Rights include various type of rights such as rights on video, DVD/Blu-Ray, VOD, Internet, PPV and rights for in-flight entertainment

38 This analysis uses only the revenue created at the time of the contract (MG+Flat+Others), and excludes additional revenue (overage) created that year. Thus, its basis differs from <Table 48>, <Table 49>, <Table 50> and <Table 51> which used the total amount of exports.

&lt;Figure 13&gt; Type of contracts for distribution rights of Korean films in 2013 and 2014



to the stabilization of local direct distribution revenue, as exports to other major markets such as Hong Kong, Taiwan and Singapore have continued to increase. When sorted by the type of rights, the sales of “All Rights” have dropped to less than half of 2013's sales. However, considering that sales in 2013 surged due to <Snowpiercer>, it is consistent with other years,

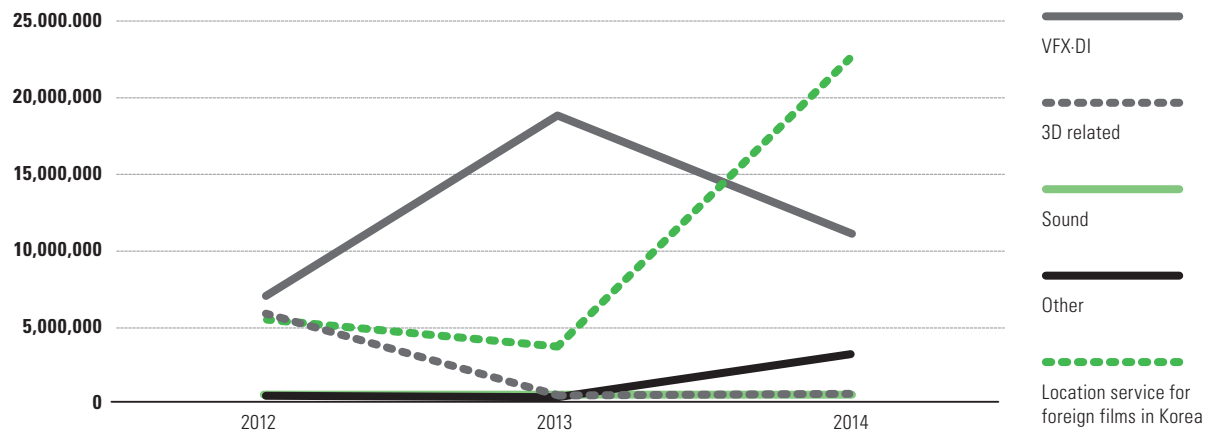
which recorded around USD 10 million. Meanwhile, the amount of exports of secondary rights has risen, as the trend of bundling online rights to libraries of Korean films has continued. As mentioned above, overseas direct distribution revenue has increased greatly, raising additional revenue and its market share.

&lt;Table 51&gt; Contract amounts of Korean film services in overseas markets, 2012-2014 (Unit : USD)

Region	2012		2013		2014		YoY Growth Rate(%)
	Contract Amount (USD)	Share (%)	Contract Amount (USD)	Share (%)	Contract Amount (USD)	Share (%)	
VFX-DI	6,763,300	38.3%	18,845,429	84.1%	10,995,259	30.3%	-41.7%
3D related	5,460,000	30.9%	-	-	-	-	-
Sound	51,700	0.3%	89,000	0.4%	102,600	0.3%	15.3%
Other (Special effects, Martial art ect.)	225,570	1.3%	16,500	0.1%	2,944,950	8.0%	17,748.2%
Location service for international films In Korea*	5,149,284	29.2%	3,437,483	15.4%	22,661,143	60.9%	559.2%
<b>Total</b>	<b>17,649,854</b>	<b>100.0%</b>	<b>22,388,412</b>	<b>100%</b>	<b>36,703,952</b>	<b>100.0%</b>	<b>63.9%</b>

※ The amount charged in Korea when foreign films are shot within South Korean territory.

<Figure 14> Trend of contract amounts for Korean film services in overseas markets, 2012-2014 (Unit : USD)



## 2) Export of Services<sup>39)</sup>

Exports for service sectors in 2014 totaled USD 36.7 million, the highest since records began in 2010, thanks to active location shooting of Hollywood films and TV series like <Avengers: Age of Ultron>. A total of 38 contracts for services were made,

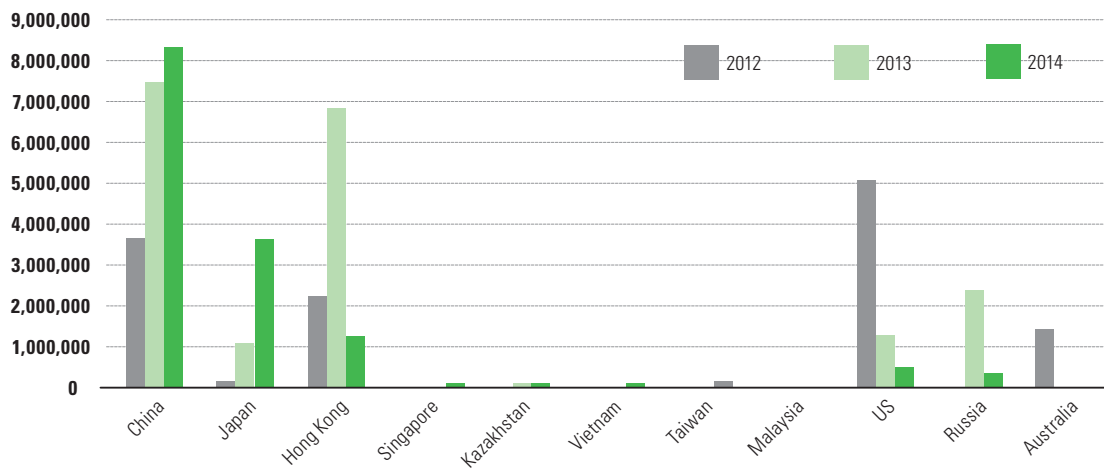
and a total of 37 location shoots took place. Excluding location shooting, exports for service sectors have dropped slightly compared to 2013, when Korean VFX (Visual Effects) companies' performance in China had more than doubled. The total contract amount for Korean film services in

<Table 52> Contract amounts for Korean film service sector in 2012-2014: By country

Region	Country	2012		2013		2014		YoY Growth Rate
		Amount(USD)	Share	Amount(USD)	Share	Amount(USD)	Share	
Asia	China	3,642,180	29.2%	7,519,493	39.7%	8,398,734	59.8%	11.7%
	Japan	28,575	0.2%	1,004,100	5.3%	3,632,303	25.9%	261.8%
	Hong Kong	2,190,000	17.5%	6,849,346	36.1%	1,185,000	8.4%	-82.7%
	Singapore	-	-	-	-	31,500	0.2%	100.0%
	Kazakhstan	-	-	27,000	0.1%	29,700	0.2%	10.0%
	Vietnam	-	-	-	-	9,000	0.1%	100.0%
	Taiwan	123,490	1.0%	-	-	-	-	-
	Malaysia	-	-	-	-	-	-	-
North America	US	5,075,325	40.6%	1,224,990	6.5%	454,667	3.2%	-62.9%
Europe	Russia	-	-	2,326,000	12.3%	301,905	2.1%	-87.0%
Oceania	Australia	1,441,000	11.5%	-	-	-	-	-
Total		12,500,570	100%	18,950,929	100.0%	14,042,809	100.0%	-25.9%

39 The 2014 research of the export of services involved 17 companies over five service sectors (VFX-DI/ 3D-3D Converting/ Sound Mixing/ Others/ Location Shooting for Foreign Films). For location shooting for foreign films, the data from the Korean Film Council, Seoul Film Commission and Busan Film Commission was used to calculate the total amount charged to foreign films. In order to enhance the accuracy of the data, companies that are suspected to have made sales but did not disclose the specific amount were excluded from this analysis.

&lt;Figure 15&gt; Trend of contract amounts for the Korean film service sector in 2012-2014: By country (Unit : USD)



the overseas market was USD 14.04 million in 2014, a decrease of 25% compared to last year. However, the number of contracts remained nearly the same (37 in 2013 and 38 in 2014), which shows that exports of services to overseas operations remained active - the decrease is due to the fact that certain big-budget films raised the total contract amount in 2013.

When assessed by sectors, the VFX·DI showed a decrease in its contract amount. Instead, the 'Others' sector showed an increased contract amount, thanks to increased exports in the special effects sector to Asian countries. When assessed by regions, the contract amount from the Chinese market has slightly increased,

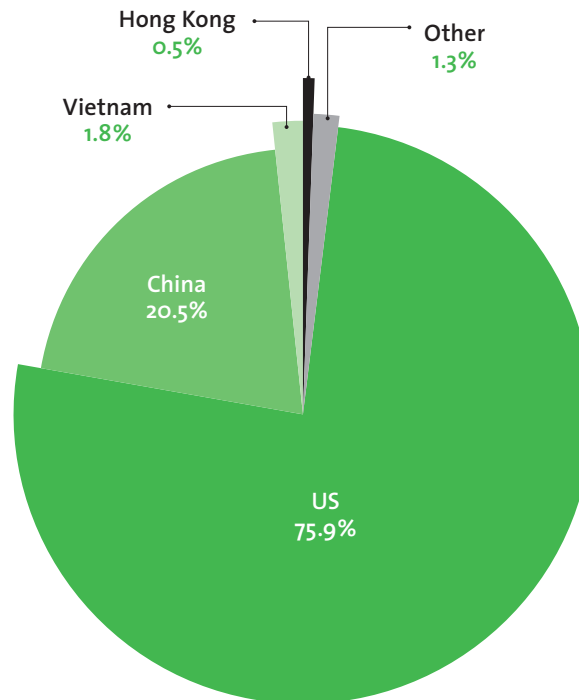
&lt;Table 53&gt; Contract amounts for foreign films filming in Korea by country, 2012-2014

Region	Country	2012		2013		2014		YoY Growth Rate
		Amount Charged (USD)	Share	Amount Charged (USD)	Share	Amount Charged (USD)	Share	
North America	US	1,065,668	20.7%	-	-	17,208,986	75.9%	100.0%
Asia	China	2,312,865	44.9%	181,173	5.2%	4,651,256	20.5%	2,467.3%
	Vietnam	-	-	-	-	402,273	1.8%	100.0%
	Hong Kong	-	-	-	-	102,780	0.5%	100.0%
	Thailand	-	-	439,074	12.8%	58,297	0.3%	-86.7%
	Malaysia	54,998	1.1%	64,860	1.8%	48,658	0.2%	-25.0%
	Japan	919,038	17.8%	2,412,497	70.3%	17,428	0.1%	-99.3%
	Singapore	110,775	2.2%	79,124	2.3%	-	-	-
	Philippines	92,979	1.8%	-	-	-	-	-
	Indonesia	454,473	8.8%	-	-	-	-	-
	Nepal	-	-	-	-	3,456	0.02%	100.0%
Europe	France	23,473	0.5%	138,822	4%	70,243	0.3%	-49.4%
	Other	115,015	2.2%	121,933	3.5%	92,636	0.4%	-24.0%
Oceania	New Zealand	-	-	-	-	5,130	0.02%	100.0%
Total		5,149,284	100.0%	3,437,483	100.0%	22,661,143	100.0%	559.2%

※ Source: Seoul Film Commission, Busan Film Commission and the Korean Film Council



<Figure 16> Share of contract amounts for foreign films filmed in Korea, by country, 2014



while performance in the Hong Kong, US and Russian markets have shown disappointing results. For example, the contract amount from the Hong Kong market, which recorded amounts close to the Chinese market in 2013, dropped by 83% - this is due to Hong Kong's internal political struggles, causing big films to postpone their production. The contract amounts of foreign films' shooting on-location in Korea reached their highest point since 2011, when collection of information started. The total amount for contracts was USD 26.66 million, a seven-fold increase from 2013. 37 foreign films were shot in Korea in 2014, compared to 27 in 2013. Even after excluding <Avengers: Age of Ultron>, a Hollywood blockbuster, both the number of films shot in Korea and their contract amounts showed a remarkable growth. Focusing specifically on regional share, the US claimed the top market share by a wide margin, thanks to films such as <Avengers: Age of Ultron> and the TV series <Sense 8>. China recorded the second highest contract amount, with films such as <Emperor's Holidays>, but the number of films shot in Korea (a total of nine films) was higher than those shot by the US. As the

Chinese film industry grows, more Chinese films are being made, thus more films are doing on-location shooting in Korea. On the other hand, Japan, which has historically claimed a high share, showed a big drop in location shootings due to its recession. While Southeast Asian films are mostly smaller, it is notable that they have been recording a steady share every year. When assessed by genres, these films were mostly documentaries and TV shows that promoted Korean culture in 2013; but more films and TV series began to utilize the cities and landscapes of Korea this year.

# STATUS & INSIGHT

KOREAN FILM INDUSTRY 2014





# CONCLUSION

# 3



## 3. CONCLUSION

2014 was a meaningful year for the Korean film industry, as it generated over KRW 2 trillion in overall revenue for the first time in its history. Furthermore, the number of admissions went over 200 million viewers for the second year in a row, showing that a stable rate of audiences was sustained. Box office records were broken, and the digital online market and exports were also on the rise. Many officials expressed their concerns regarding the lower number of admissions for Korean films compared to 2013. Korean films released during the high seasons were successful, but the films released during off seasons failed, resulting in a decreased number of admissions for Korean films. On the other hand, foreign films attracted steady numbers of viewers regardless of season, and achieved a total of 100 million viewers for the first time in history. It is time to develop production and distribution strategies to target the off seasons, in order to achieve continued growth for the Korean film market. While the digital online market continued to grow in 2014, growth rates slowed due to decreased revenue from online VOD, which is especially sensitive to changes in

the media environment. Thus, a workable plan to bolster the growth of the digital online market is in need. There is a pressing need for the establishment of an online film services network in order to precisely assess the market in response to the rapidly changing digital online market. Exports in 2014 grew slightly over 2013, but exports of film products dropped slightly. However the outlook for exports is promising, as revenue models for the overseas market, with China at the top, are diversifying, thanks to the establishment of Korean theater chains in the Asian region, and the expansion of the direct and revenue-sharing distribution of Korean films.

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# TOP 50 Korean Films Released and Screened, 2014

No.	Title	Director	Produced by	Disributed by	Release date	Rating	No. of screens nationwide	Nationwide sales revenue (including 2013 sales)	Nationwide admissions (including 2013 admissions)	Category
1	Roaring Currents	KIM Han-min	Big Stone Pictures	CJ E&M Corp.	2014-07-30	15+	1,586	135,721,087,910	17,611,849	Commercial
2	The Pirates	LEE Seok-hoon	Harimao Pictures	Lotte shopping Lotte Entertainment Co.,Ltd	2014-08-06	12+	837	66,364,656,706	8,665,652	Commercial
3	Miss Granny	HWANG Dong-hyuk	Incosmos Co., Ltd., Chiewisafilm, Yein Plus Entertainment	CJ E&M Corp.	2014-01-22	15+	692	62,696,751,249	8,656,417	Commercial
4	Ode to My Father	JK YOUN	JK Film, CJ E&M Corp.	CJ E&M Corp.	2014-12-17	12+	966	41,089,769,596	5,345,726	Commercial
5	KUNDO: Age of Rampant	YOON Jong-bin	Moonlight Film, Showbox/Mediaplex, Inc.	Showbox/Mediaplex, Inc.	2014-07-23	15+	1,394	36,984,686,999	4,774,715	Commercial
6	Tazza: The Hidden Card	KANG Hyoung-chul	Sidus Pictures	Lotte shopping Lotte Entertainment Co., Ltd, Sidus Pictures	2014-09-03	18+	890	32,373,137,927	4,015,364	Commercial
7	The Fatal Encounter	LEE Jae-kyoo	Good Choice Cut Pictures, Papas Film	Lotte shopping Lotte Entertainment Co., Ltd	2014-04-30	15+	1,054	29,893,316,890	3,849,435	Commercial
8	My Love, Don't Cross That River	JIN Mo-young	Argus Film	CGV Movie Collage, Daemyung Culturetainment	2014-11-27	All	206	29,846,166,179	3,846,428	Diversity
9	The Divine Move	JO Bum-gu	Mays Entertainment, Agit Film	Showbox/Mediaplex, Inc.	2014-07-03	18+	794	28,810,639,456	3,566,316	Commercial
10	A Hard Day	KIM Seong-hun	AD406, Dasepo Club co. Ltd..	Showbox/Mediaplex, Inc.	2014-05-29	15+	645	26,995,930,900	3,448,583	Commercial
11	The Target	CHANG	Barunson Co., Ltd, Yong Film Inc.	CJ E&M Corp.	2014-04-30	15+	666	22,256,639,300	2,841,824	Commercial
12	My Love, My Bride	LIM Charn-sang	Filmmomentum	CineGuru Daou Technology	2014-10-08	15+	629	16,636,404,305	2,141,155	Commercial
13	Man In Love	HAN Dong-wook	Sanai Pictures, Film Train	Next Entertainment World(NEW)	2014-01-22	15+	531	14,510,222,300	1,979,311	Commercial
14	The Con Artists	KIM Hong-sun	Trinity Entertainment	Lotte shopping Lotte Entertainment Co.,Ltd	2014-12-24	15+	641	13,652,324,148	1,778,076	Commercial
15	The Wistfulblower	YIM Soon-rye	Watermelon Pictures Co., Ltd	Megabox Plus M	2014-10-02	12+	676	13,515,762,802	1,755,181	Commercial
16	Hot Young Bloods	LEE Yeon-woo	Damso Film	Lotte shopping Lotte Entertainment Co.,Ltd	2014-01-22	15+	679	11,688,382,888	1,676,040	Commercial
17	My Brilliant Life	E J-yong	Zip Cinema	CJ E&M Corp.	2014-09-03	12+	629	12,290,533,634	1,624,573	Commercial
18	Thread of Lies	LEE Han	Ubu Film, Movie Rock	CGV Movie Collage	2014-03-13	12+	555	11,727,360,300	1,618,988	Commercial
19	Haemoo	SHIM Sung-bo	Haemoo Co., Ltd.	Next Entertainment World(NEW)	2014-08-13	18+	584	11,699,297,519	1,474,981	Commercial
20	Obsessed	KIM Dae-woo	Iron Package Co., Ltd.	Next Entertainment World(NEW)	2014-05-14	18+	682	11,285,117,400	1,442,014	Commercial
21	Tabloid Truth	KIM Kwang-sik	Watermelon Pictures Co., Ltd	CJ E&M Corp.	2014-02-20	15+	560	9,111,648,087	1,221,420	Commercial
22	Big Match	CHOI Ho	BK Pictures	Next Entertainment World(NEW)	2014-11-27	15+	627	8,952,043,578	1,177,435	Commercial
23	Slow Video	KIM Young-tak	20th Fox International Productions, Our Joyful Young Days Film Co.	20th Century Fox Korea	2014-10-02	12+	618	8,912,817,219	1,169,543	Commercial
24	Broken	LEE Jeong-ho	EchoFilm	CJ E&M Corp.	2014-04-10	18+	594	7,826,539,800	989,593	Commercial
25	We Are Brothers	JANG Jin	Film It Suda	Showbox/Mediaplex, Inc.	2014-10-23	12+	566	7,263,255,399	970,373	Commercial



No.	Title	Director	Produced by	Disributed by	Release date	Rating	No. of screens nationwide	Nationwide sales revenue (including 2013 sales)	Nationwide admissions (including 2013 admissions)	Category
26	Cart	B00 Ji-young	Myung Films	Little Big Pictures	2014-11-13	12+	544	5,914,117,633	812,670	Commercial
27	Venus Talk	KWON Chli-in	Myung Films	Lotte shopping Lotte Entertainment Co.,Ltd	2014-02-13	18+	591	5,858,771,500	781,516	Commercial
28	The Royal Tailor	LEE Won-suk	Bidangil Pictures	Showbox/Mediaplex, Inc.,Wow Pictures	2014-12-24	15+	466	5,293,778,564	676,638	Commercial
29	The Plan Man	SUNG Si-hup	Progress Pictures	Lotte shopping Lotte Entertainment Co.,Ltd	2014-01-09	15+	458	4,528,590,558	632,303	Commercial
30	No Tears for the Dead	LEE Jeong-beom	Dice Film	C.J E&M Corp.	2014-06-04	18+	508	4,921,494,800	603,093	Commercial
31	Fashion King	OH Ki-hwan	Ylab, Nomad Films	Next Entertainment World(NEW)	2014-11-06	15+	523	4,366,700,379	594,813	Commercial
32	For the Emperor	PARK Sang-jun	OPUS Pictures	United Pictures	2014-06-11	18+	423	4,747,644,771	591,502	Commercial
33	Monster	HWANG In-ho	Sang Sang Film	Lotte shopping Lotte Entertainment Co.,Ltd	2014-03-13	18+	527	4,138,057,515	526,547	Commercial
34	Another Family	KIM Tae-yun	Another Family Production Corporation, Eightball Pictures	OAL	2014-02-06	12+	192	3,528,892,400	496,937	Commercial
35	Mourning Grave	OH In-chun	Ghostpictures, Jupiter Film	Little Big Pictures	2014-07-02	15+	456	3,554,865,054	481,707	Commercial
36	The Huntresses	PARK Jae-hyun	Welmade Entertainment	Showbox/Mediaplex, Inc.	2014-01-29	12+	388	3,471,341,321	480,361	Commercial
37	The Nut Job	Peter Lepeniotis	Redrover Co., Ltd.,	Toon Box Entertainment Ltd.	Sidus Pictures	All	382	3,280,608,100	478,392	Commercial
38	Scarlet Innocence	LIM Pil-sung	Animal Planet	C.J E&M Corp.	2014-10-02	18+	536	3,728,811,590	471,165	Commercial
39	Apostle	Kim Jin-moo	TAEPUNGKOREA Co., Ltd.	Mountain Pictures, Mains Entertainment	2014-02-13	15+	285	3,068,195,600	424,258	Diversity
40	Confession	LEE Do-yun	OPUS Pictures, Good Choice Pictures	C.J E&M Corp.	2014-07-10	18+	371	3,221,666,031	407,198	Commercial
41	My Dictator	LEE Hae-jun	banzakbanzak film production	Lotte shopping Lotte Entertainment Co.,Ltd	2014-10-30	15+	654	2,906,692,546	385,934	Commercial
42	Man on High Heels	JANG Jin	Jangcha & co	Lotte shopping Lotte Entertainment Co.,Ltd	2014-06-03	18+	385	2,767,014,000	343,487	Commercial
43	Red Carpet	PARK Bum-su	CINEZOO, NOORI pictures	Prain Global Inc.	2014-10-23	15+	385	2,405,669,580	316,953	Commercial
44	HAN Gong-ju	LEE Su-jin	VIII LEE Film	CGV Movie Collage	2014-04-17	18+	226	1,780,605,800	224,386	Diversity
45	A Dynamite Family	JEON Hyung-jun	Cicada I Remember Co., Ltd.	Lotte shopping Lotte Entertainment Co.,Ltd	2014-12-04	15+	346	1,590,791,200	210,775	Commercial
46	Dad for Rent	KIM Deok-su	EastSKYfilm, AMUSE Entertainment	Megabox Plus M, Redrover Co., Ltd.	2014-11-20	12+	326	1,190,329,500	172,652	Commercial
47	Innocent Thing	KIM Tae-kyun	Camp B, Vanguard Studio	Invent Stone Corp	2014-04-10	18+	356	1,095,301,000	142,170	Commercial
48	Manhole	SHIN Jae-young	FineWorks	Lotte shopping Lotte Entertainment Co.,Ltd	2014-10-08	18+	286	1,084,557,130	133,663	Commercial
49	A Girl at My Door	JUNG July	Pine House Film, Now Film	CGV Movie Collage	2014-05-22	18+	310	830,948,100	106,511	Diversity
50	Murderer	LEE Ki-wook	Hong Film	Big Film	2014-01-15	18+	207	656,849,000	88,199	Diversity





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## KOREAN FILM INDUSTRY 2014

